Sprott Resource Corp. 2016 Annual Report

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis ("MD&A") of the performance, financial condition and future prospects of Sprott Resource Corp. (herein referred to as "SRC" or the "Company"). This document is prepared as at March 3, 2017 and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2016, including the notes thereon (the "Financial Statements"). The Company prepares its Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in Canadian dollars unless otherwise indicated. Further information may be accessed at www.sedar.com, and may also be found on the Company's website at www.sprottresource.com.

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

See the Abbreviations and Defined Terms sections at the end of this document for abbreviations and defined terms used throughout.

The Company's head office is based in Toronto, Ontario, Canada. Effective February 14, 2017, the common shares were delisted from the Toronto Stock Exchange ("TSX") as a result of the Arrangement (defined below). The Company previously traded under the symbol "SCP".

Sprott Resource Partnership ("SRP") is a partnership formed pursuant to a partnership agreement (the "Partnership Agreement") between SRC and Sprott Resource Consulting Limited Partnership (the "Managing Partner"), an affiliate of Sprott Consulting Limited Partnership ("SCLP"). The Partnership Agreement was cancelled effective February 9, 2017 and replaced by the third amended and restated partnership agreement ("New PA"). The terms of the New PA are substantially the same as the Partnership Agreement with additional information detailed in the *Commitments* and *Management Fee and Profit Distribution* sections located elsewhere in this MD&A. The investment portfolio of SRC is held by SRP.

ADRIANA RESOURCES INC. BUSINESS COMBINATION WITH SPROTT RESOURCE CORP.

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

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

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

Concurrent with the completion of the Arrangement, (i) Sprott Inc. ("Sprott") invested $10 million in ADI common shares at a price of $0.233 per share and (ii) a fund managed by a subsidiary of Sprott, together with Term Oil Inc. (a corporation controlled by A.R. (Rick) Rule IV), invested a total of $5 million in units of ADI (each unit comprised of one ADI common share and one Warrant) at a price of $0.25 per unit ("Unit") (together, the "Transaction"). If, four months after the closing of the Warrant Distribution, the daily weighted average trading price of the SRHI common shares for any 45 consecutive trading day period is greater than $0.583 per SRHI common share, the expiry date of the Warrants may be accelerated by SRHI.

The Managing Partner received 21,750,000 Warrants as a long-term incentive to replace the profit distribution program that was in place at SRP and which was terminated upon completion of the Arrangement.

Upon completion of the Arrangement and Transaction, on a basic shares outstanding basis, former SRC Shareholders, ADI shareholders, Sprott, and a fund managed by a subsidiary of Sprott together with Term Oil Inc. owned approximately 57%, 31%, 8% and 4%, respectively, of SRHI.

Immediately following the completion of the Arrangement, the board of directors of SRHI was reconstituted and is now comprised of the former members of the board of directors of SRC (the "Board", other than Peter Grosskopf, who stepped down in connection with the closing of the Arrangement), together with two previous directors of ADI (Donald C. Charter and Xinting (Tony) Wang) and A.R. (Rick) Rule IV.

As a result of the Arrangement, SRHI has initiated its transition from a private equity firm to a diversified holding company focusing on holding businesses in the natural resource industry that it believes can generate sustainable free cash flow. SRHI management expects that it will take SRHI less than 12 months to make the transition from a private equity firm to a diversified holdings company.

Following the completion of the Arrangement, SRC became a wholly-owned subsidiary of SRHI. The previous shareholders of the Company control SRHI and the majority of the board of directors of SRHI are represented by the Company's Board. For accounting purposes, the Arrangement resulted in the reverse takeover of SRHI by the Company and the Company was deemed the acquirer. ADI qualified as a business under the requirements of IFRS 3, *Business Combination*. Accordingly, effective as at the date of closing, February 9, 2017, the assets and liabilities of the Company will continue at their carrying values and ADI's net assets will be consolidated based on their fair value as at February 9, 2017. As at the date of this MD&A and given the recency of the closing of the Arrangement and Transaction, the initial accounting for the Arrangement and Transaction is not yet finalized as the Company is in the process of determining the fair values of the assets acquired and the liabilities assumed.

BUSINESS OBJECTIVES

Business Objectives

SRC was a publicly-listed private equity firm focused on the natural resource sector. Effective February 9, 2017, the Company was acquired by ADI and ceased to be a publically-listed company.

For 2016, the Company had four key objectives:

i. Improve liquidity through appropriate investment monetizations;
ii. Secure new capital to develop scale and optimize strategy execution;
iii. Generate value in current portfolio companies by positioning them for their respective commodity sector recoveries; and,
iv. Expand collaboration with Sprott.

Business Objectives End of Year Update

As of the date hereof, below is the Company's update of the progress made in each of its key business objectives for 2016.

i. During 2016, the Company improved its liquidity through the following investment monetizations:

   1. In June 2016, Long Run Exploration Ltd. ("Long Run") was fully disposed of for cash proceeds of $12.0 million;
   2. During the second half of 2016, the Company also disposed of its entire position in Independence Contract Drilling, Inc. ("ICD") for cash proceeds of $29.9 million; and,
   3. During 2016, the Company also monetized the small positions it held in Stonegate Agricom Ltd. ("Stonegate"), Potash Ridge Corporation ("Potash Ridge") and its royalty investment in Delphi Energy Corp. ("Delphi Energy") for combined gross proceeds of approximately $3.0 million.

   The cash generated by the above monetizations provided the Company with sufficient capital to fully repay its Facility (defined below) on October 13, 2016 and retain a cash balance of $12.2 million as at December 31, 2016 with no debt.

ii. On November 29, 2016, the Company announced its proposed Arrangement and Transaction which later closed on February 9, 2017. As described elsewhere in this MD&A, the newly combined entity, SRHI, brought together the net assets of both ADI and SRC providing investable capital of approximately $150 million.

iii. SRC has positioned both its core holdings of InPlay Oil Corp. ("InPlay Oil") and Corsa Coal Corp. ("Corsa Coal") for their respective commodity sector recoveries. Effective November 10, 2016, InPlay Oil now trades as a public company and is well positioned for growth as we see the long-term fundamentals for energy as favourable. In addition, Corsa Coal has attracted attention as the metallurgical coal price has rebounded strongly in the fourth quarter of 2016 and is reflected in its current stock price.

iv. SRC and Sprott continued to collaborate together on deal sourcing, due diligence expertise and certain other resource sharing. Sprott strengthened its ties with SRC through its investment of $10 million into SRHI as part of the Transaction.

OUTLOOK

Following the completion of the business combination between SRC and ADI to create SRHI, SRHI has initiated a transition from a private equity firm to a diversified holding company. Once this transition is complete, SRHI will focus on holding businesses in the natural resource industry that it believes can generate sustainable free cash flow. SRHI management expects that it will take less than 12 months to make the transition from a private equity firm to a diversified holdings company.

The SRHI portfolio is diversified across a number of natural resource sectors, with core holdings concentrated in mining and energy. As a result, the Company's portfolio valuations are significantly impacted by commodity price volatility. One of SRHI's core holdings is our metallurgical coal investment in Corsa Coal. Following a recovery in metallurgical coal prices in 2016, Corsa Coal intends to expand production and sales volumes and capitalize on the current favorable market conditions. Corsa Coal's financing in late 2016 is expected to enable the company to continue to execute on its growth strategy of developing its fully permitted underground metallurgical coal mines.

Another core holding is SRHI's investment in InPlay Oil, a Calgary-based light oil producer that recently completed a go-public transaction with Anderson Energy Inc. ("Anderson"). We believe the long-term fundamentals for energy are favourable but continue to expect further price volatility in 2017 before a sustainable recovery sets in.

With no debt and approximately $50 million in Net Cash (see *Defined Terms* section elsewhere in this MD&A) as a result of the Arrangement and Transaction, SRHI is well positioned to pursue new accretive investment opportunities at what we think is an attractive stage of the natural resource cycle.

As a long-term investor in resource businesses, SRHI management continuously assesses the optimal investment window and required financial commitments to execute purchases and sales. We will continue to support our investee companies where appropriate. We also intend to continue monetizing investments where possible in order to best position SRHI for future growth and profitability. Management remains committed to using the tools at its disposal to further reduce the discount between SRHI's share price and NAV.

SELECTED FINANCIAL INFORMATION

Financial Statements Summary

(in thousands except per share amounts and issued and outstanding common shares)

	2016	2015	2014
Investment gain (loss)	$ 10,397	$ (111,551)	$ (118,127)
Net income (loss) and comprehensive income (loss) attributable to shareholders	$ 3,484	$ (119,494)	$ (135,580)
Basic and diluted earnings (loss) per share	$ 0.04	$ (1.23)	$ (1.38)
Common shares issued and outstanding	96,672,102	96,672,102	97,874,503
Weighted average common shares issued and outstanding - basic	95,866,657	96,856,381	98,135,540
Weighted average common shares issued and outstanding - diluted	96,672,102	97,521,401	98,247,132
Total assets	$ 113,272	$ 121,614	$ 241,717
Total liabilities	$ 2,487	$ 14,287	$ 13,986
Total equity attributable to shareholders of the Company	$ 110,785	$ 107,327	$ 227,731

NAV and Share Value

	As at				
	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015
NAV (in thousands), based on fair values [1]	$ 110,785	$ 105,683	$ 94,676	$ 112,484	$ 107,327
NAV per share, based on fair values [2]	$ 1.15	$ 1.09	$ 0.98	$ 1.16	$ 1.11
Closing price per share (TSX:SCP)	$ 0.50	$ 0.48	$ 0.6	$ 0.48	$ 0.47
Discount to NAV [3]	56.5%	56.0%	38.8%	58.6%	57.7%
Number of common shares issued and outstanding	96,672,102	96,672,102	96,672,102	96,672,102	96,672,102

[1] *NAV is equivalent to total equity attributable to shareholders of the Company*

[2] *NAV per share is the Company's NAV divided by the number of the Company's common shares that are issued and outstanding*

[3] *Discount to NAV is the discount between NAV per share and the Company's closing stock price on the TSX on the period-end date*

Statements of Operations

	For the Year Ended	
(in thousands)	Dec. 31, 2016	Dec. 31, 2015
Investment gain (loss)	$ 10,397	$ (111,551)
Expenses	$ 6,913	$ 7,064
Net income (loss) and comprehensive income (loss) attributable to shareholders	$ 3,484	$ (119,494)

Statements of Financial Position

(in thousands)		As at Dec. 31, 2016		Dec. 31, 2015
Working capital (deficit) [1]	$	10,116	$	(13,440)
Investments owned, at fair value		100,669		120,767
Total equity attributable to shareholders of the Company	$	110,785	$	107,327

[1] *Working capital is the Company's cash and cash equivalents together with its trade and other receivables less its total liabilities.*

Asset Allocation [1]

	As at					
(in thousands)		Dec. 31, 2016			Dec. 31, 2015	
Mining		51,040	50.7%		9,276	7.7%
Agriculture		30,268	30.0%		57,243	47.4%
Energy production and services		19,361	19.2%		54,248	44.9%
Total investments owned, at fair value	$	100,669	100%	$	120,767	100%
Unfunded investment commitments	$	—		$	—	

[1] *Asset values are recorded at fair value and percentages are of total investment portfolio.*

INVESTMENT SUMMARY

At December 31, 2016, the Company held six investments (the "Investments") in three sectors. A summary of the Company's investments at December 31, 2016 is presented below *(in thousands)*.

Industry Sector	*% of NAV* [1]	*Public/ Private*	*Companies*	*Fair Value, Dec. 31, 2016*	*SRC Ownership (undiluted)*
Energy production and services	17.5%	Public (TSX)	**InPlay Oil**[2] is a growth-oriented, light oil development and production company focused on large oil in place pools with low recovery factors, low declines and long life reserves primarily targeting the Cardium Formation in Alberta, Canada.	14,122	11.4%
		Private	**R.I.I. North America Inc.** ("RII") is a Canadian energy technology company.	5,239	15.4%
Mining	46.1%	Public (TSX-V)	**Corsa Coal**[2] is a Canadian company in the business of mining, processing and selling metallurgical and thermal coal, as well as actively exploring, acquiring and developing U.S. resource properties that are consistent with its existing coal business.	50,521	19.1%
		Public (TSX-V)	**Virginia Energy Resources Inc.** ("Virginia Energy") is a Canadian company which owns a uranium deposit in southern Virginia, U.S.	519	16.5%
Agriculture	27.3%	Private	**Union Agriculture Group** ("Union Agriculture") is a diverse agribusiness firm that owns and manages over 108,000 hectares of farmland in Uruguay.	16,908	6.3%
		Private	**One Earth Farms Corp.** ("OEF") is a Toronto, Canada based vertically integrated food business focused on natural and organic protein-based food production and retail.	13,360	49.98%
				$ 100,669	

[1] *Cash and cash equivalents, trade and other receivables less total liabilities represent 9.1% of NAV*

[2] *An investment initiated by the current management team.*

PORTFOLIO REVIEW

Year Ended December 31, 2016

As at December 31, 2016, the Company's investment portfolio was valued at $100.7 million (December 31, 2015: $120.8 million). The investment portfolio consists of private (unlisted) investment positions and public (listed) investment positions.

Portfolio breakdown

	As at					
	Dec. 31, 2016			Dec. 31, 2015		
(in thousands except (#))			(#)			(#)
Private positions	$	35,507	3	$	71,557	6
Public positions		65,162	3		49,210	6
Investment portfolio	$	100,669	6	$	120,767	12

Private investment positions (35.3% of portfolio)

Private investment positions consist of investments in energy production and services along with agriculture companies with an aggregate value of $35.5 million (December 31, 2015: $71.6 million). The largest investment accounted for 47.6% of the private investment positions at December 31, 2016 (December 31, 2015: 40.8%).

Public investment positions (64.7% of portfolio)

Public investment positions consist of investments in energy production and services along with mining companies with an aggregate value of $65.2 million. The largest investment accounted for 77.5% of the public investment positions at December 31, 2016 (December 31, 2015: 64.3%). Public investment positions typically arise through holdings of previously private investment positions. However, SRC may also invest in public companies that it believes are significantly undervalued or where the management team, which SRC wishes to support, operates through a public vehicle. In November 2016, InPlay Oil became a public company.

Portfolio movement

	For the Year Ended			
(in thousands)	Dec. 31, 2016		Dec. 31, 2015	
Opening investment portfolio, at fair value	$	120,767	$	237,198
New investments		14,361		2,822
Realizations [1]		(44,857)		(7,702)
Portfolio return [2]		10,397		(111,551)
Closing investments portfolio, at fair value	$	100,669	$	120,767

[1] *Includes gross proceeds from investment dispositions, dividends, royalties and interest income*

[2] *Represents the net gain (loss) in investments*

New investments

For the year ended December 31, 2016, new investments amounted to $14.4 million compared to $2.8 million for the year ended December 31, 2015. New investments for the year ended December 31, 2016 were comprised of follow-on investments in InPlay Oil and Corsa Coal of $10.7 million and $3.7 million respectively. The Company considered 63 new investment opportunities for the year ended December 31, 2016 (year ended December 31, 2015: 123 new investment opportunities). New investments for the year ended December 31, 2015 were primarily composed of a committed follow-on royalty investment in Delphi Energy of $0.7 million and a follow-on investment for Corsa Coal of $1.3 million.

Realizations

Realizations for the year ended December 31, 2016 amounted to $44.9 million which were primarily comprised of the gross proceeds received from the disposition of SRC's entire holdings of Long Run and ICD for $12.0 million and $29.9 million, respectively. Realizations for the year ended December 31, 2015 amounted to $7.7 million and were primarily composed of its partial disposition of its royalty investment in Delphi Energy for $3.0 million and other smaller legacy investments.

	For the Year Ended	
(in thousands)	**Dec. 31, 2016**	Dec. 31, 2015
Proceeds from investments	**$ (44,789)**	$ (6,441)
Dividends	**—**	(402)
Return of capital - Delphi Energy royalty investment	**(68)**	(859)
Total realizations	**$ (44,857)**	$ (7,702)

Portfolio return

For the year ended December 31, 2016, SRC's investment portfolio increased by $10.4 million, or 8.6% as a percentage of the opening portfolio of $120.8 million comprised primarily of unrealized gains on investments. This return includes unfavourable currency movements of $2.5 million for the year ended December 31, 2016.

	For the Year Ended			For the Year Ended		
			Dec. 31, 2016			**Dec. 31, 2015**
(in thousands)	Public	Private	**Total**	Public	Private	**Total**
Net realized gain (loss) on investments	$ (152,843)	$ (48,973)	**$ (201,816)**	$ 160	$ (1,560)	**$ (1,400)**
Reversal of previously recorded unrealized loss (gain) on investments[1]	152,843	48,973	**201,816**	(160)	1,560	**1,400**
Change in unrealized gain (loss) on investments	41,872	(29,021)	**12,851**	(70,803)	(53,216)	**(124,019)**
Change in unrealized foreign exchange gain (loss) on investments	(1,583)	(871)	**(2,454)**	5,685	6,381	**12,066**
Dividend, royalty and other income	—	—	**—**	402	—	**402**
Total portfolio gain (loss)	$ 40,289	$ (29,892)	**$ 10,397**	$ (64,716)	$ (46,835)	**$ (111,551)**

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

For the year ended December 31, 2016, the Company recorded a net realized loss of $201.8 million on the disposition of Long Run, One Earth Oil & Gas Inc. ("OEOG"), Potash Ridge, Stonegate, its royalty investment in Delphi Energy and ICD. The table above illustrates that this entire amount is offset by the reversal of previously recorded unrealized losses on these investments.

The majority of the portfolio gain for the year ended December 31, 2016 resulted from a change in the unrealized gain on its public investments. The change in unrealized gain on investments is predominantly due to the increased value of the Company's investment in Corsa Coal. On November 10, 2016, InPlay Oil began trading as a public company and as a result, the amounts reflected in "Change in unrealized gain (loss) on investments" in the table above have been allocated accordingly to reflect when InPlay Oil was a private and public company.

Specifics of the change in unrealized gain on investments for the year ended December 31, 2016 is detailed in the *Operating Results* section elsewhere in this MD&A.

The investment portfolio is reported at fair value which is subject to daily changes including commodity price changes, foreign exchange movements and changes in market prices. SRC's investment portfolio at December 31, 2016 has approximately $16.9 million denominated in U.S. dollars. For every 5% increase (decrease) in the Canadian/U.S. foreign exchange rate (relative to the U.S. dollar), SRC's investment portfolio will decrease (increase) by approximately $0.8 million.

Portfolio sectors

The fair value of the investment portfolio is as follows:

	As at					
(in thousands)		Dec. 31, 2016			Dec. 31, 2015	
Mining	$	51,040	50.7%	$	9,276	7.7%
Agriculture		30,268	30.0%		57,243	47.4%
Energy production and services		19,361	19.2%		54,248	44.9%
Total investments owned, at fair value	$	100,669	100%	$	120,767	100%

Three-Months Ended December 31, 2016

Portfolio movement

	For the Three-Months Ended			
(in thousands)		Dec. 31, 2016		Dec. 31, 2015
Opening investment portfolio, at fair value	$	95,473	$	148,425
New investments		11,701		1,575
Realizations [1]		(14,042)		(3,032)
Portfolio return [2]		7,537		(26,201)
Closing investments portfolio, at fair value	$	100,669	$	120,767

[1] *Includes gross proceeds from investment dispositions, dividends, royalties and interest income*

[2] *Represents the net gain (loss) in investments*

New investments

For the three-months ended December 31, 2016, new investments amounted to $11.7 million comprised of follow-on investments in InPlay Oil and Corsa Coal of $10.7 million and $1.0 million respectively. For the three-months ended December 31, 2015, new investments amounted to $1.6 million comprised of follow-on investments in Corsa Coal and RII of $1.3 million and $0.3 million respectively. The Company considered 24 new investment opportunities for the three-months ended December 31, 2016 (three-months ended December 31, 2015: 20 new investment opportunities).

Realizations

Realizations for the three-months ended December 31, 2016 amounted to $14.0 million which was comprised of the final dispositions of SRC's investments in ICD and the remaining royalty investment in Delphi Energy of $13.4 million and $0.6 million respectively. Realizations for the three-months ended December 31, 2015 amounted to $3.0 million and were comprised of certain legacy/passive investments.

	For the Three-Months Ended			
(in thousands)		Dec. 31, 2016		Dec. 31, 2015
Proceeds from investments	$	(14,042)	$	(3,000)
Return of capital - Delphi Energy royalty investment		—		(32)
Total realizations	$	(14,042)	$	(3,032)

Portfolio return

For the three-months ended December 31, 2016, SRC's investment portfolio increased by $7.5 million, or 7.9% as a percentage of the opening portfolio of $95.5 million comprised primarily of unrealized gains on investments. This return includes favourable currency movements of $0.9 million for the three-months ended December 31, 2016.

	For the Three-Months Ended			For the Three-Months Ended		
			Dec. 31, 2016			**Dec. 31, 2015**
(in thousands)	Public	Private	**Total**	Public	Private	**Total**
Net realized loss on investments	$ (10,916)	$ (473)	**$ (11,389)**	$ —	$ (1,560)	**$ (1,560)**
Reversal of previously recorded unrealized loss on investments[1]	10,916	473	**11,389**	—	1,560	**1,560**
Change in unrealized gain (loss) on investments	8,150	(1,527)	**6,623**	(5,502)	(22,063)	**(27,565)**
Change in unrealized foreign exchange gain on investments	167	747	**914**	424	940	**1,364**
Total portfolio gain (loss)	$ 8,317	$ (780)	**$ 7,537**	$ (5,078)	$ (21,123)	**$ (26,201)**

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

For the three-months ended December 31, 2016, the Company recorded a net realized loss of $11.4 million on the disposition of ICD and its royalty investment in Delphi Energy. The table above illustrates that this entire amount is offset by the reversal of previously recorded unrealized losses on these investments.

The majority of the portfolio gain for the three-months ended December 31, 2016 resulted from a change in the unrealized gain on investments. The change in unrealized gain on investments is predominantly due to the increased value of the Company's investment in Corsa Coal.

Specifics of the change in unrealized gain (loss) on investments for the three-months ended December 31, 2016 is detailed in the *Operating Results* section elsewhere in this MD&A.

PRIVATE COMPANY VALUATIONS

The Company has several private company investments which are discussed in the *Key Investments* section elsewhere in this MD&A.

The valuation of private companies is inherently difficult. The Company has the expertise to determine the fair value of its private investments yet acknowledges the value in sourcing outside expertise. As a result, the Company has adopted a valuation policy that includes engaging independent external valuators to perform an assessment of fair value of each material private investment (unless determined otherwise) on at least an annual basis.

Since adopting fair value accounting under IFRS for the quarter ended March 31, 2014, the Company has engaged three independent business valuation firms to assess the fair value of certain of the Company's private investments. Each valuation report has been prepared in accordance with the Practice Standards of the Canadian Institute of Chartered Business Valuators. Within those standards, there are three types of valuation reports, namely a Comprehensive Valuation, an Estimate Valuation and a Calculation report. The Company has engaged each valuation firm to prepare an Estimate Valuation report for each engagement. This type of report is most often prepared in the valuation of private companies for investment companies. Each Estimate Valuation report provides a range of fair value. Unless otherwise noted, the Company has chosen the midpoint for fair value.

There are two generally accepted valuation approaches: (i) the going concern approach, and (ii) the liquidation approach. Within each valuation approach there are various techniques available to the valuator to complete the valuation. The selection and basis for each valuation is subject to the valuator's professional judgment.

The Company did not obtain any independent valuations as at December 31, 2016.

KEY INVESTMENTS

Key investments in private companies are discussed by sector below *(in thousands except per share amounts)*:

Energy production and services

R.I.I. North America Inc.

	December 31, 2016	December 31, 2015
Equity ownership	15.4%	16.3%
Fair value	$5,239	$5,239
Fair value per share	$1.38	$1.38
Cost	$4,070	$4,070
Type of investment	Growth capital	Growth capital
External valuation performed in the last 12 months	No	No
Valuation basis	Adjusted recent transaction price	Adjusted recent transaction price
Private company discount	Yes	Yes
Value drivers	Proof of production	Proof of production
	Proof of concept	Proof of concept
	Continued access to capital	Continued access to capital

Investment background

From 2011 to 2015, the Company invested $4.1 million in RII, a private energy technology company based in Calgary, Alberta. RII owns the intellectual property in and to the patented Solvent Thermal Resource Innovations Process ("STRIP") for North America. The STRIP process allows for in-situ steam generation for enhanced oil recovery ("EOR") opportunities.

The Company is invested alongside management, company directors and other significant private investors, who have the capacity to provide support in the future growth of the business.

Operational update

Over the past several years, RII has invested over $45 million developing its STRIP technology. In 2015, RII purchased a 50% interest in a 3-section property located in Saskatchewan funded by a $7.1 million capital raise in the fourth quarter of 2015 from both existing and new shareholders at $2.50 per share. RII is currently putting its STRIP technology into production on this property with the intent of validating the commercial viability of its EOR technology. In 2016, RII raised $3.3 million in equity, primarily from existing shareholders at prices between $2.00 and $3.00 per share and approximately $6.0 million in a zero coupon secured convertible note, which is convertible to common shares at conversion prices between $1.25 and $2.75 per share for corporate expenses and general working capital.

RII has a capital intensive program and does not generate any material revenue. It relies on its ability to raise capital to support the development of its technology. RII has historically raised sufficient capital to progress its STRIP technology to date and has also been successful in securing grant funding from Sustainable Development Technology Canada.

Major risks

RII is developing an EOR technology and is indirectly and directly exposed to the risks typically associated with exploration and production ("E&P") companies. Some of the more significant risks include:

- failure of the STRIP technology;
- economic viability of the STRIP technology and the heavy oil industry;
- requirement for significant capital investment;
- uncertainties associated with drilling and well stimulation activities;
- government regulations and required regulatory approvals;

- risks associated with new drilling techniques;
- reserves and production may decline over time; and,
- actual reserves will vary from reserve estimates.

Valuation approach

As discussed in the *Private Company Valuations* section of this MD&A, the Company did not engage an independent external valuator for its investment in RII as at December 31, 2016. The Company has instead fair valued this investment relying on the most recent capital raise after applying a discount taking into consideration information provided to investors, discussions with RII management, and publicly available pricing information disclosed by other investors in RII.

RII most recently raised $1.5 million equity capital in the fourth quarter of 2016 from a combination of new and existing shareholders at approximately $3.00 per share and $0.3 million in a zero coupon secured convertible note, which is convertible to common shares at a conversion price of $2.75 per share. The Company did not participate in this capital raise. Some of the equity capital issued were flow-through shares for which the Company aggressively discounted by 30% to approximate non flow-through equity. The prices at which capital was raised in the fourth quarter of 2016 was a significant input in the determination of the fair value of the Company's investment in RII.

The Company believes that there is potential for significant value creation if the technology proves to be a success, and, conversely, significant value destruction if the technology proves to be unsuccessful. SRC has assessed the changes in the energy market since the capital raise, the forecasted additional capital requirement of RII together with the expected outcome of the Company's investment which involves significant estimation uncertainty by applying a discount range of 40% to 60% to the most recent capital raise.

Agriculture

Union Agriculture Group

	December 31, 2016	December 31, 2015
Equity ownership	6.3%	6.3%
Fair value	$16,908	$29,187
Fair value per share	$4.99	$8.62
Cost	$28,702	$28,702
Type of investment	Growth capital	Growth capital
External valuation performed in the last 12 months	No	No
Valuation basis	Adjusted net assets	Adjusted net assets
Private company discount	Yes	Yes
Value drivers	Return on Assets	Improved operating efficiencies
	Land divestment pricing and impact	Accretive acquisitions
	Cost Management	Continued vertical integration

Investment background

Union Agriculture is a diversified agribusiness firm that owns, leases and manages over 108,000 hectares of farmland in Uruguay. Through its subsidiaries Union Agriculture is also involved in the logistics business through the ownership and operation of silo facilities and vehicles, and participates in local and international trading markets by originating grains and other crops from producers in Uruguay.

Union Agriculture has grown rapidly since its formation in 2008 through acquisitions of farmland, livestock and operating businesses supported by issuing equity and raising debt financing.

Operational update

For the fiscal year ending June 30, 2016, Union Agriculture reported a loss for the year of USD$98 million on revenues of USD$89 million compared to a loss of USD$53 million on revenues of USD$112 million for the year ended June 30, 2015. These results were driven by an operating loss resulting

from low production yields, a drop in commodity prices, and an impairment loss recognized on certain property plant and equipment due to the decrease in fair value of farmlands.

During and subsequent to the fiscal year ending June 30, 2016 Union Agriculture continued to take steps to manage its overall level of indebtedness and undertook the sale of a portion of its agricultural land holdings with proceeds used to retire certain debt facilities and has continued to manage agreements extending the repayment of its financial debts with banking institutions and revising the terms of certain financing agreements.

For the three months ending September 30, 2016, Union Agriculture reported a loss of USD$11.7 million. As at September 30, 2016, Union Agriculture reported (after adjusting for the land valuation, as discussed hereafter) total assets of USD$583 million and total liabilities of USD$185 million resulting in total adjusted equity of USD$398 million. Union Agriculture's largest asset is its land holdings valued at approximately USD$383 million, based on a June 2016 independent market appraisal (the "Appraisal") conducted by an international valuation firm (the "Appraiser"), and representing almost 100% of Union Agriculture's total adjusted equity. The June 2016 Appraisal represented a decrease of nearly 30% compared to the previous appraisal for the same lands from June 30, 2015.

As a consequence of its historical operating performance and current financing constraints, Union Agriculture undertook in 2016 a significant change in its operating model in a portion of its business and has determined to shift from crop and cattle farming operations to leasing land to a number of other farmers in exchange for rental income. Associated with this change is a significant reduction in staff together with the disposal of surplus farming equipment. Union Agriculture anticipates that this change in business model will eliminate some sources of volatility from results of farming operations, significantly reduce the levels of working capital required to operate, and generate savings in general and administrative costs.

For the majority of land leases that Union Agriculture has entered into, this rental income will be paid in the form of a specific quantity of the agricultural commodity produced on the land, leaving Union Agriculture exposed to future commodity prices. The largest component of lease income is from hectares leased for beef, followed by soybeans and rice. Union Agriculture management indicates that over 85% of their land holdings have now been leased or are in the process of being leased for their upcoming farming season. Union Agriculture intends to continue, and hopes to expand, its trading and logistics activities and expects these elements of its business to continue handling a significant quantity of the production from the third-party farmers now operating the land.

Union Agriculture anticipates completing additional land sales in the future as required in order to further reduce levels of debt in the business as certain credit facilities become due. However, while Union Agriculture has been successful over the past year in completing land sales, there is no certainty that Union Agriculture will be able to continue to do so or will be successful in obtaining alternative financing from other sources. The projections prepared by Union Agriculture management for the twelve months ending June 30, 2017 forecast improving operating results reflecting the change in business model. These projections are dependent on commodity prices, which will impact realized land rental income, and on positive operating results in the trading and logistics business units.

Major risks

The risks are fully described in the *Risk Management* section elsewhere in this MD&A.

Valuation approach

As discussed in the *Private Company Valuations* section of this MD&A, the Company did not engage an independent external valuator for its investment in Union Agriculture as at December 31, 2016. The Company has instead fair valued this investment relying on the most recent available information provided to investors, pricing parameters implied by the market value of shares of selected public companies, commodity pricing trends, discussions with Union Agriculture management and publicly available pricing information disclosed by other investors in Union Agriculture.

The valuation was completed using a going concern basis applying an adjusted net assets approach to determine fair value at December 31, 2016. The fair value of Union Agriculture was determined by adjusting the reported book value of those assets and liabilities required in operations to their respective fair values as at December 31, 2016.

Financial information from Union Agriculture's June 30, 2016 unaudited financial statements, unaudited financial information from September 30, 2016, together with the land values as calculated by the Appraiser at June 30, 2016 were used to determine an adjusted net asset value of Union Agriculture.

While the Company does believe that the change in business model at Union Agriculture will serve to limit some of the potential for future operating losses, the Company believes that the challenges faced by Union Agriculture as a result of its current financial position and depressed agricultural commodity prices warrant a discount to NAV of 50%.

Union Agriculture reports its financial statements in USD, has consistently issued equity in USD and the Company's investment is in USD. As such the Company carries its holding of Union Agriculture in USD. Fluctuations in value, in part, occur from time to time due to the USD to CAD exchange rate.

One Earth Farms Corp.

	December 31, 2016	December 31, 2015
Equity ownership	49.98%	49.98%
Fair value	$13,360	$28,056
Fair value per share	$0.20	$0.42
Cost	$60,900	$60,900
Type of investment	Growth capital	Growth capital
External valuation performed in the last 12 months	Yes [1]	Yes [1,2]
Valuation basis	Adjusted net assets	Adjusted net assets
Private company discount	Yes	Yes
Value drivers	Retail sales growth	Retail sales growth
	Margin expansion	Margin expansion
	Vertical integration	Vertical integration

[1] *last completed at September 30, 2016*

[2] *completed at September 30, 2015*

Investment background

OEF was founded in 2009 and is now headquartered in Toronto, Canada and is a vertically integrated branded food products business focused on meat-based proteins sourced from animals raised in humane conditions without antibiotics, added hormones or steroids under a natural or organic protocol. "Natural" protocols refer to animals raised without the use of antibiotics, added hormones or steroids. "Organic" protocols refer to animals raised under CAN/CGSB-32.310, Organic Production Systems General Principles and Management Standards issued by the Canadian General Standards Board, and that are certified Organic. OEF participates in the value chain from farm to fork. OEF raises beef cattle, the majority of which are located in Western Canada, harvests the cattle at its wholly-owned slaughter and processing facility in Lacombe, Alberta and sells natural and organic beef, together with other natural and organic proteins including poultry, pork and value-added food products to customers in the Canadian market as well as to customers in select export markets, including within the European Union ("EU"), China, the United States and the Middle East.

Market environment

Consumer demand for natural and organic proteins continues to grow in Canada, the United States and other global markets. This growth in demand is supported by demographic trends. Recent research shows that the demographic groups known as Millennials, Gen X and Gen Y have strong dispositions towards buying natural and organic foods and are less price sensitive than older generations.

Natural and organic foods sales have been rising steadily in both the United States and Canada since 1997 and have shown combined annual growth rates in double digits, far higher than the growth of the same categories for products that are not natural or organic. As more consumers switch to natural and organic proteins, increasing demand for the products, the niche is consolidating and maturing. The evidence is in the number of grocery categories that now offer natural and organic alternatives together with the number of mainstream grocery retailers and food service wholesalers that are also focusing in growing the natural and organic category in order to serve growing demand for natural proteins in particular within both the fast food and fine dining categories.

Against this backdrop of growing demand, particularly for beef, is a challenging and slow moving supply chain constrained by the life cycle of cattle, and the requirements to develop and certify natural or organic programs. While commodity cattle producers have tools that they use, including the use of added hormones, steroids and other antibiotic treatments, to increase carcass size and shorten feeding duration and cost in order to create flexibility in the supply chain, these measures are not used to raise natural or organic animals and the resulting cost structure, carcass size, level of feed efficiency and time to get to market is not as efficient or cost competitive for natural and organic animals as commodity animals.

Over the last few years, cattle prices increased to historic highs, peaking in mid-year 2015, before price corrections eroded value through the last half of 2015 and during 2016. While there has historically been seasonal fluctuation in both cattle and beef pricing on an annual basis, OEF does not anticipate that the volatility, and level of double digit increases and decreases for both cattle and beef prices in a single year that marked 2015 and 2016 will continue throughout 2017.

Operational update

OEF has had a significant transformation over the past several years since the acquisition of Beretta Farms (see *Defined Terms* section) including (i) the restructuring of cattle operations into both custom managed and custom-raised cow / calf operations under OEF's protocols across a number

of ranches located in Saskatchewan and certain contract feedlots in Alberta counting approximately 10,900 head of cattle in cow/calf and feeder operations as at December 31, 2016 with the operations subject to inspection and monitoring by OEF personnel as well as independent third parties including OEF's veterinarian; (ii) the continued vertical integration of the beef business with the acquisition in October 2014 of Canadian Premium Meats Inc. ("CPM"), a federally regulated and EU certified slaughter and processing facility located in Lacombe, Alberta and one of only four EU certified slaughter and processing facilities in Canada; and (iii) the targeted acquisition of branded food purveyors which OEF seeks for growth expansion and consolidation of the natural and organic beef brands in Canada. The notable acquisitions have included the assets of Prairie Heritage Producers Inc. ("PHP or "Heritage Angus") in October 2014 and the assets of Diamond Willow Organics (2012) Ltd. ("Diamond Willow") in January 2015. OEF's food products are currently sold under the Beretta Farms, Beretta Kitchen, Heritage Angus, Black Apron Beef, Diamond Willow Organics, Chinook Organics and Sweetpea Baby Food brands in five Canadian provinces along with select EU markets, China and the Middle East.

OEF experienced strong revenue growth in 2015 against a backdrop of turbulence and volatility in cattle markets in North America. This resulted in margin compression throughout OEF's supply chain during 2015 and particularly in the fourth quarter when a dramatic correction in cattle pricing was experienced leading to a net loss for the year. This volatility and margin compression continued during 2016 resulting in reduced revenue and a net loss to OEF.

For the year ended December 31, 2016, revenue decreased to $51.5 million compared to $55.7 million for the same period in 2015. The revenue in 2016 includes the sale of certain non-current biological assets (discussed further below). The reduction in revenue, excluding the sale of non-current biological assets, is attributable to a reduced number of cattle harvested in order to achieve higher average selling prices and improved gross margins in the face of the turbulent market conditions and downward pressure on beef selling prices.

While OEF does not directly compete in the commodity cattle and beef markets, the pricing in those markets drives cattle valuation in terms of changes in fair value (a non-cash item) for OEF's feeder cattle and calf crop and commodity beef pricing provides a baseline over which OEF prices its products, commanding a premium for its beef compared to commodity beef. OEF marks-to-market the carrying value of its feeder cattle and calf crop assets on a monthly basis using the mid-point of a recognized third-party Canadian pricing index for commodity cattle. The livestock in non-current biological assets consists of the breeding herd and these animals are carried at fair value using an estimate of the market value per head by asset class. OEF's largest asset, valued at $14 million at December 31, 2016 is the combined current and long-term biological assets which are down from $26 million at December 31, 2015. The change in fair value of OEF's biological assets reflects the downward trend of cattle prices from December 31, 2015 along with the sale of certain breeding animals that OEF undertook primarily in the third quarter of 2016.

For the year ended December 31, 2016 the loss at OEF was primarily driven by a reduction in the carrying value of OEF's biological assets that was attributable to losses on a mark-to-market basis (a non-cash item) for OEF's cattle in the year, losses realized on the sale of certain non-current breeding animals to third parties, and a reduction in fair value (a non-cash item) for other non-current biological assets. These losses were partially offset by a $1.1 million gain reflecting a revision of contingent liabilities associated with acquisitions completed by OEF in 2014 and 2015.

As part of the ongoing process to reduce costs and increase margins and in light of the trends in cattle and beef pricing, OEF renegotiated the contracts in place with its third-party cattle ranchers who custom manage OEF's cow calf operations, in order to reduce OEF's cost of production for weaned calves and by extension, the cost of production for harvest-weight finished cattle. As part of these negotiations, OEF reached agreement with a number of its third-party ranchers to sell to them the breeding cows and bulls held at their ranches in a series of transactions with the majority closing prior to September 30, 2016 and the balance prior to December 31, 2016. OEF also reached agreement with the ranchers that purchased OEF's cattle to secure the supply of calves to OEF in future periods that will be raised by the ranchers to meet OEF's strict natural protocols. These calves will be acquired by OEF at market prices at the time of weaning of the calves in each year. The result of having taken these steps will leave OEF with surety of supply for calves that meet its required standards and protocols to fulfill demand for OEF's natural beef products, but without the exposure to cost structure inefficiencies that would deliver weaned calves and resulting harvest weight animals at a cost significantly higher than the market in future periods.

OEF sources finished cattle to convert to beef for its products from both its internal cattle operations and through third-party purchases of finished cattle from select qualified producers, to meet forecast demand for beef products. As a result of the acquisition of competing brands such as Heritage Angus and Diamond Willow, OEF now has access to a larger pool of independent cattle producers who can raise cattle under OEF's strict natural and organic protocols and supply cattle into OEF's supply chain. However, the increased use of third-party cattle to meet demand for natural and organic beef is expected to have a negative impact on working capital and is expected to require a higher level of working capital within the business. OEF still had some third-party cattle flowing through its supply chain in both the third and fourth quarter of 2016 that were sourced and contracted when cattle prices were significantly higher. The harvest of these cattle compressed margins, compared to what margin could be achieved based on current cattle prices.

OEF continues to examine additional opportunities to raise gross margins, reduce costs, and align its cattle operations to lower the overall cost of production and amount of capital employed in cattle operations in order to support the overall growth in the range of products offered and the markets they are offered in.

Major risks

The risks are fully described in the *Risk Management* section elsewhere in this MD&A.

Valuation Approach

As discussed in the *Private Company Valuations* section of this MD&A, the Company did not engage an independent external valuator ("Valuator") for its investment in OEF as at December 31, 2016. The Company has instead fair valued this investment relying on the most recent available information provided to investors, commodity pricing trends, the Company's effective control position of OEF and discussions with OEF management. The last Estimate Valuation report as to the value of the Company's equity interest in OEF was prepared as at September 30, 2016. The business of OEF did not materially change from September 30, 2016.

The Company completed its valuation using a going concern basis applying an adjusted net assets approach to determine fair value at December 31, 2016 which was corroborated by a revenue market multiple transactions approach. The fair value of OEF was determined by adjusting the reported book value of those assets and liabilities required in operations to their respective fair values as at December 31, 2016, including the provision of allowances for OEF's goodwill and intangible assets. The adjusted net asset approach was considered the most appropriate valuation methodology.

In determining fair value, the value of tax losses was assessed based on market research and the Valuator's proprietary knowledge base identified at September 30, 2016.

The Company's reported fair value of OEF is recorded at approximately 0.7 times book value with approximately 80% of book value represented by tangible, liquid assets net of liabilities, including cash and receivables, biological assets and property and equipment. The fair value of OEF's largest asset, its current and long-term biological assets was estimated using the mid-point of a third-party Canadian commodity livestock pricing index based on the gender and average weight of the cattle with respect to current biological assets. The decrease in fair value of the current biological assets (a non-cash adjustment) from 2015 to 2016 was the primary contributor to the Company's reduction in the fair value of its investment in OEF. There is no third party index for natural, organic or grass fed cattle which command premiums over commodity cattle prices. More than 90% of OEF's cattle are natural or organic biological assets. OEF's remaining assets consist of goodwill and intangible assets, including brands and intangible assets purchased in acquisitions completed in 2013, 2014 and 2015.

Listed investments

Summary information on the Company's listed investments is presented below. Given their public company status, significant amounts of information on each of these listed investments is available as a result of their respective required continuous disclosure obligations. Readers are encouraged to obtain this information in order to best assess the financial position, results of operations, future prospects and risks associated with each of these listed investments of the Company. Additional information relating to these investments is available through their respective SEDAR (see *Defined Terms* section) filings and websites but such additional information is not incorporated by reference herein.

(in thousands)	**December 31, 2016**					
Listed investment	Ticker symbol and stock exchange		Investment Dollars Outstanding [1]		Fair Value	Valuation basis [2]
Virginia Energy	VUI: TSX-V	$	15,772	$	519	closing price
InPlay Oil	IPO: TSX	$	34,669	$	14,122	closing price
Corsa Coal	CSO: TSX-V	$	41,372	$	50,521	closing price

[1] *Investment Dollars Outstanding represents the remaining capital to be recovered from an investment after considering proceeds of disposition, dividends received, if any, and other returns of capital.*

[2] *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*

OPERATING RESULTS

Year Ended December 31, 2016

Operating results for the year ended December 31, 2016 compared to the year ended December 31, 2015 are presented below.

Investment gain (loss)

(in thousands)	For the Year Ended Dec. 31, 2016		Dec. 31, 2015	
Net gain (loss) on investments	$	10,397	$	(111,953)
Dividend, royalty and other income		—		402
Investment gain (loss)	$	10,397	$	(111,551)

Net gain (loss) on investments

Net gain (loss) on investments is comprised of (i) net realized loss on investments, (ii) reversal of previously recorded unrealized loss on investments, (iii) change in unrealized gain (loss) on investments and (iv) change in unrealized foreign exchange gain (loss) on investments.

(in thousands)	For the Year Ended Dec. 31, 2016		Dec. 31, 2015	
Net realized loss on investments	$	(201,816)	$	(1,400)
Reversal of previously recorded unrealized loss on investments[1]		201,816		1,400
Change in unrealized gain (loss) on investments		12,851		(124,019)
Change in unrealized foreign exchange gain (loss) on investments		(2,454)		12,066
Net gain (loss) on investments	$	10,397	$	(111,953)

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

Net realized loss on investments

Net realized loss on investments is determined by calculating the realized gain on investments and subtracting the calculated realized loss on investments. Gain or loss on investments is the difference between the gross proceeds received on disposing of an investment less the average cost base of that respective investment. Should the amount of this calculation result in a positive number, it is a realized gain on investment. If the amount of this calculation results in a negative number, it is a realized loss on investment. Transaction costs related to a disposition are recorded separately in Transaction costs in the Consolidated Statements of Operations.

(in thousands)	For the Year Ended Dec. 31, 2016		#	Dec. 31, 2015		#
Total realized gains	$	—	—	$	379	1
Total realized losses		(201,816)	6		(1,779)	3
Total net realized loss on investments	$	(201,816)	6	$	(1,400)	4

During the year ended December 31, 2016, the Company disposed of six investments incurring a total realized loss of $201.8 million and are itemized in the following table.

Reversal of previously recorded unrealized loss on investments

In the year an investment is disposed of, all previously recorded unrealized losses are reversed through "Reversal of previously recorded unrealized loss on investments" and the economics of the transaction are fully captured in "Net realized loss on investments".

(in thousands)		For the Year Ended	
		Dec. 31, 2016	Dec. 31, 2015
Potash Ridge	**$**	**13,775**	$ —
OEOG		**48,500**	—
Long Run		**87,835**	—
ICD		**26,852**	—
Stonegate		**24,381**	—
Other		**473**	1,400
Reversal of previously recorded unrealized loss on investments[1]	**$**	**201,816**	$ 1,400

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

Change in unrealized gain (loss) on investments

The following table provides further detail as to the composition of the changes in unrealized gain (loss) on investments recorded in the respective periods:

(in thousands)	Public/Private		For the Year Ended	
			Dec. 31, 2016	Dec. 31, 2015
Long Run	Public	**$**	**3,680**	$ (26,220)
ICD	Public		**(208)**	(1,463)
InPlay Oil	Private		**(3,111)**	(15,740)
InPlay Oil (post November 11, 2016 go public transaction)	Public		**(2,069)**	—
RII	Private		**—**	704
Corsa Coal	Public		**40,286**	(38,588)
OEF	Private		**(14,696)**	(2,944)
Union Agriculture	Private		**(11,408)**	(15,871)
Other investments	Private/Public		**377**	(23,896)
Change in unrealized gain (loss) on investments		**$**	**12,851**	$ (124,019)

See the *Key Investments* section for a discussion to support the change in the unrealized gain (loss) on investments of the private investments.

Change in unrealized foreign exchange gain (loss) on investments

(in thousands)		For the Year Ended	
		Dec. 31, 2016	Dec. 31, 2015
ICD	**$**	**(1,583)**	$ 5,685
Union Agriculture		**(871)**	6,381
Change in unrealized foreign exchange gain (loss) on investments	**$**	**(2,454)**	$ 12,066

Expenses

(in thousands)	For the Year Ended Dec. 31, 2016	Dec. 31, 2015
General and administrative expenses	$ 1,766	$ 2,395
Management fees and compensation	2,240	3,641
Transaction costs	1,870	126
Finance expense	1,037	902
Total expenses	$ 6,913	$ 7,064

The composition of general and administrative ("G&A") expenses is as follows:

(in thousands)	For the Year Ended Dec. 31, 2016	Dec. 31, 2015
Professional fees	$ 307	$ 363
Public company reporting costs	957	1,168
Foreign exchange gain on cash and cash equivalents and interest earned on cash and cash equivalents	(105)	(15)
Office expenses	607	879
	$ 1,766	$ 2,395

Public company reporting costs include $307 thousand of director stock-based compensation for the year ended December 31, 2016 (year ended December 31, 2015: $178 thousand). The decrease in professional fees, public company reporting costs and office expenses for the year ended December 31, 2016, compared with the year ended December 31, 2015, reflects the Company's continuing efforts to reduce costs.

The decrease in management fees and compensation costs for the year ended December 31, 2016, compared with the year ended December 31, 2015, is due to the decline in the average NAV of the Company on which the fee is based. Included in management fees and compensation is stock-based compensation for the year ended December 31, 2016 of $174 thousand (year ended December 31, 2015: $251 thousand), in connection with the Company's equity incentive plan that historically was paid as cash compensation.

For the year ended December 31, 2016, transaction costs of $1.9 million were incurred, compared to $126 thousand for the year ended December 31, 2015. For the year ended December 31, 2016, transaction costs were primarily a result of professional fees associated with the Arrangement and Transaction. Transaction costs are not expected to be comparable to prior periods since they arise primarily when transactions are identified and entered into at the discretion of management.

Under IFRS, interest expense is included as finance expenses. The Company incurred a finance expense of $1.0 million for the year ended December 31, 2016, compared to $902 thousand for the year ended December 31, 2015. The finance expense for the year ended December 31, 2016 was comprised of interest expense on the Facility and a one-time fee resulting from amending the Facility compared to the year ended December 31, 2015 that was fully comprised of interest expense on the Facility. On October 13, 2016, the Company repaid the Facility in full. The Company does not expect to have significant finance expenses in 2017.

Income taxes

The Company did not report any current income taxes for the year ended December 31, 2016 but recorded $0.9 million for the year ended December 31, 2015.

For the year ended December 31, 2016 and year ended December 31, 2015, the Company did not report any deferred income taxes.

As at December 31, 2016 and December 31, 2015, management determined that the Company did not meet the criteria as set out in International Accounting Standard 12: *Income Taxes* to recognize a deferred tax asset.

Deferred income taxes are primarily driven by the change in unrealized gains and losses reported by the Company. As the Company reports unrealized gains, all else being equal, the Company will record a deferred income tax expense as there is a strong correlation between unrealized gains and deferred income tax expense. Similarly, as the Company reports unrealized losses, all else being equal, the Company will record a deferred income tax recovery subject to the Company determining that unrealized losses are more likely than not to be utilized in the future.

Net income (loss) and comprehensive income (loss)

For the year ended December 31, 2016, the Company reported net income and comprehensive income attributed to shareholders of $3.5 million ($0.04 per share) compared to a net loss and comprehensive loss attributed to shareholders of $119.5 million ($1.23 loss per share) reported for the year ended December 31, 2015. The components of these amounts are discussed in the explanations provided above.

Three-Months Ended December 31, 2016

Operating results for the three-months ended December 31, 2016 compared to the three-months ended December 31, 2015 are presented below.

Investment gain (loss)

	For the Three-Months Ended			
(in thousands)		**Dec. 31, 2016**		Dec. 31, 2015
Net gain (loss) on investments	**$**	**7,537**	$	(26,201)
Investment gain (loss)	**$**	**7,537**	$	(26,201)

Net gain (loss) on investments

Net gain (loss) on investments is comprised of (i) net realized gain (loss) on investments, (ii) reversal of previously recorded unrealized loss on investments, (iii) change in unrealized loss on investments and (iv) change in unrealized foreign exchange gain (loss) on investments.

	For the Three-Months Ended			
(in thousands)		**Dec. 31, 2016**		Dec. 31, 2015
Net realized loss on investments	**$**	**(11,389)**	$	(1,560)
Reversal of previously recorded unrealized loss on investments (excluding the effects of foreign exchange)[1]		**11,389**		1,560
Change in unrealized gain (loss) on investments		**6,623**		(27,565)
Change in unrealized foreign exchange gain on investments		**914**		1,364
Net gain (loss) on investments	**$**	**7,537**	$	(26,201)

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

Net realized loss on investments

	For the Three-Months Ended					
(in thousands)		**Dec. 31, 2016**	**#**		Dec. 31, 2015	#
Total realized gains	**$**	**—**	**0**	$	—	0
Total realized losses		**(11,389)**	**2**		(1,560)	1
Total net realized loss on investments	**$**	**(11,389)**	**2**	$	(1,560)	1

During the three-months ended December 31, 2016, the Company disposed of two investments incurring a total realized loss of $11.4 million and are itemized in the following table.

Reversal of previously recorded unrealized gain on investments

In the year an investment is disposed of, all previously recorded unrealized losses are reversed through "Reversal of previously recorded unrealized loss (gain) on investments" and the economics of the transaction are fully captured in "Net realized loss on investments".

	For the Three-Months Ended	
(in thousands)	**Dec. 31, 2016**	Dec. 31, 2015
ICD	**$ 10,916**	$ —
Delphi Energy	**473**	1,560
Reversal of previously recorded unrealized gain on investments[1]	**$ 11,389**	$ 1,560

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

Change in unrealized gain (loss) on investments

The following table provides further detail as to the composition of the changes in unrealized gain (loss) on investments recorded in the respective periods:

		For the Three-Months Ended	
(in thousands)	Public/Private	**Dec. 31, 2016**	Dec. 31, 2015
Long Run	Public	**$ —**	$ 1,380
ICD	Public	**(128)**	1,020
InPlay Oil	Private	**—**	(6,223)
InPlay Oil	Public	**(2,069)**	—
RII	Private	**—**	41
Corsa Coal	Public	**10,159**	(7,783)
OEF	Private	**(668)**	(5,616)
Union Agriculture	Private	**(855)**	(10,019)
Other investments	Private/Public	**184**	(365)
Change in unrealized gain (loss) on investments		**$ 6,623**	$ (27,565)

See the *Key Investments* section for a discussion to support the change in the unrealized gain (loss) on investments of the private investments.

Change in unrealized foreign exchange gain on investments

	For the Three-Months Ended	
(in thousands)	**Dec. 31, 2016**	Dec. 31, 2015
ICD	**$ 167**	$ 424
Union Agriculture	**747**	940
Change in unrealized foreign exchange gain on investments	**$ 914**	$ 1,364

Expenses

(in thousands)	For the Three-Months Ended	
	Dec. 31, 2016	Dec. 31, 2015
General and administrative expenses	**$ 451**	$ 494
Management fees and compensation	**576**	623
Transaction costs	**1,441**	67
Finance expense	**25**	279
Total expenses	**$ 2,493**	$ 1,463

The composition of G&A expenses is as follows:

(in thousands)	For the Three-Months Ended	
	Dec. 31, 2016	Dec. 31, 2015
Professional fees	**$ 41**	$ 75
Public company reporting costs	**245**	193
Foreign exchange gain on cash and cash equivalents and interest earned on cash and cash equivalents	**(103)**	—
Office expenses	**268**	226
	$ 451	$ 494

Public company reporting costs includes $77 thousand of director stock-based compensation for the three-months ended December 31, 2016 (three-months ended December 31, 2015: $51 thousand).

The decrease in management fees and compensation costs for the three-months ended December 31, 2016, compared with the three-months ended December 31, 2015, is due to the decline in the average NAV of the Company on which the fee is based. Included in management fees and compensation is stock-based compensation for the three-months ended December 31, 2016 of $3 thousand (three-months ended December 31, 2015: $66 thousand), in connection with the Company's equity incentive plan that historically was paid as cash compensation.

For the three-months ended December 31, 2016, transaction costs of $1.4 million were incurred, compared to $67 thousand for the three-months ended December 31, 2015. For the three-months ended December 31, 2016, transaction costs were primarily a result of professional fees associated with the Arrangement and Transaction. Transaction costs are not expected to be comparable to prior periods since they arise primarily when transactions are identified and entered into at the discretion of management.

Under IFRS, interest expense is included as finance expenses. The Company incurred a finance expense of $25 thousand for the three-months ended December 31, 2016, compared to $279 thousand for the three-months ended December 31, 2015. The finance expense for the three-months ended December 31, 2016 and the three-months ended December 31, 2015 was fully comprised of interest expense on the Facility. On October 13, 2016, the Company repaid the Facility in full.

Income taxes

The Company did not report any current income taxes for the three-months ended December 31, 2016 but recorded $0.9 million for the three-months ended December 31, 2015.

For the three-months ended December 31, 2016 and three-months ended December 31, 2015, the Company did not report any deferred income taxes.

Net income (loss) and comprehensive income (loss)

For the three-months ended December 31, 2016, the Company reported net income and comprehensive income of $5.0 million ($0.05 earnings per share) compared to a net loss and comprehensive loss of $28.5 million ($0.30 loss per share) reported for the three-months ended December 31, 2015. The components of these amounts are discussed in the explanations provided above.

Statement of Financial Position

Assets

(in thousands)		As at Dec. 31, 2016		Dec. 31, 2015
Cash and cash equivalents	**$**	**12,196**	$	674
Trade and other receivables		**407**		173
Investments owned, at fair value		**100,669**		120,767
Total assets	**$**	**113,272**	$	121,614

The carrying amount of the trade and other receivables incorporates management's assessment of credit risk. For additional information, see Credit Risk under the *Risk Management* section elsewhere in this MD&A.

For a detailed discussion of the Company's investment portfolio, see the *Investment Summary*, *Portfolio Review* and *Key Investments* sections of this MD&A.

Liabilities

(in thousands)		As at Dec. 31, 2016		Dec. 31, 2015
Trade and other payables	**$**	**2,487**	$	666
Credit facility		**—**		13,621
Total liabilities	**$**	**2,487**	$	14,287

Included in trade and other payables as at December 31, 2016 are management fees payable to SCLP of $0.2 million (December 31, 2015: $0.2 million) together with other accrued liabilities and trade payables.

During 2014, the Company entered into a $20.0 million Facility with SRLC which was subsequently reduced to $18.0 million. On October 13, 2016, the Company repaid the Facility in full. For additional information, see the *Financing Activities by the Company* section elsewhere in this MD&A.

Working capital (deficit)

(in thousands)		As at Dec. 31, 2016		Dec. 31, 2015
Cash and cash equivalents, trade and other receivables	**$**	**12,603**	$	847
Liabilities		**(2,487)**		(14,287)
Working capital (deficit)	**$**	**10,116**	$	(13,440)

As at December 31, 2016, the Company had working capital of $10.1 million (December 31, 2015: working capital deficit of $13.4 million). For additional information, see the *Financing Activities by the Company* section elsewhere in this MD&A.

NAV per share

	As at				
	Dec. 31, 2016	**Sept. 30, 2016**	**Jun. 30, 2016**	**Mar. 31, 2016**	**Dec. 31, 2015**
NAV per share, based on fair values	**$ 1.15**	$ 1.09	$ 0.98	$ 1.16	$ 1.11

Management views NAV per share as an indicative performance measure as it reflects the value attributable to each common share of the Company. NAV (and not NAV per share) on a stand-alone basis is not necessarily an absolute basis of measurement as it does not reflect all of the impacts in value to the shareholder, including the effects of the $120.1 million in capital returned to shareholders through normal course issuer bids and the 2013 dividend.

LIQUIDITY AND CAPITAL RESOURCES

(in thousands)	For the Year Ended Dec. 31, 2016	Dec. 31, 2015
Cash flows from operating activities		
Net income (loss) attributable to shareholders	$ 3,484	$ (119,494)
Items not affecting cash		
Net loss (gain) on investments	(10,397)	111,953
Stock-based compensation	482	553
Other	—	(33)
	(6,431)	(7,021)
Purchase of investments	(14,361)	(2,789)
Sale of investments	44,857	7,300
Changes in non-cash operating working capital		
Trade and other receivables	(234)	2,633
Trade and other payables	1,820	(3,301)
Accrued interest on credit facility	(921)	902
	31,161	4,745
Cash provided by (used in) operating activities	24,730	(2,276)
Cash flows from financing activities		
Proceeds from credit facility	4,500	5,700
Repayments of credit facility	(17,200)	(3,000)
Acquisition of treasury stock	(508)	(617)
Normal course issuer bid	—	(846)
Cash (used in) provided by financing activities	(13,208)	1,237
Change in cash and cash equivalents	11,522	(1,039)
Cash and cash equivalents - Beginning of year	674	1,713
Cash and cash equivalents - End of year	$ 12,196	$ 674

For the year ended December 31, 2016, the Company recorded net income of $3.5 million. Items not affecting cash totaled $9.9 million and together with net sales of investments of $30.5 million and an increase in non-cash operating working capital of $665 thousand, the Company reported cash provided by operating activities of the Company of $24.7 million.

For the year ended December 31, 2015, the Company recorded a net loss of $119.5 million. Items not affecting cash totaled $112.5 million and together with net sales of investments of $4.5 million and an increase in non-cash operating working capital of $0.2 million, the Company reported cash used in operating activities of the Company of $2.3 million.

For the year ended December 31, 2016, cash used for financing activities totaled $13.2 million compared to cash provided by financing activities of $1.2 million for the year ended December 31, 2015. For the year ended December 31, 2016, cash used for financing activities comprised of funds drawn on the Facility of $4.5 million, repayments of the Facility of $17.2 million and the purchase of common shares for the equity incentive plan of $0.5 million.

For the year ended December 31, 2015, cash provided by financing activities of $1.2 million comprised of funds drawn on the Facility of $5.7 million, repayments of the Facility of $3.0 million, the purchase of common shares for the equity incentive plan of $0.6 million and the repurchase of common shares for cancellation under the 2015 NCIB for $0.8 million.

There are no legal or practical restrictions on the ability of SRP to transfer funds to the Company for the Company to meet its obligations.

FINANCING ACTIVITIES BY THE COMPANY

It has been the Company's policy to preserve a financially strong company that has the capital available to support the growth of existing investments and make new investments. In certain circumstances, the Company will provide loans or guarantees to investee companies in which it has significant ownership to further their respective business plans. There are no loans or guarantees to investee companies at December 31, 2016.

On September 29, 2015, the Company as the borrower and SRP as the guarantor entered into an amended and restated Facility with SRLC, a subsidiary of Sprott Inc., the parent company of the Managing Partner, which was subsequently amended by an amending agreement dated May 10, 2016. The Facility was an $18.0 million term facility that matured on November 11, 2016 ("Maturity Date") and was available for general corporate purposes. Upon signing the amending agreement SRC paid a commitment fee equal to 0.5% of the Facility. Interest accrued daily at 8% per annum, compounded monthly. All obligations of the Company under the Facility were unconditionally guaranteed by SRP.

On October 13, 2016, the Company repaid the Facility in full (as of December 31, 2015 the balance outstanding on the Facility was $13.6 million which included nominal capitalized interest of $0.9 million).

OUTSTANDING SHARE DATA

Authorized capital:

Common shares, no par value, unlimited shares.

Issued and outstanding:

The Company had 96,672,102 common shares issued and outstanding as at December 31, 2016 and the date hereof. As a result of the Arrangement that was completed on February 9, 2017, SRHI is the sole shareholder of the Company's common shares.

(in thousands except Number Issued and Outstanding)	Number Issued and Outstanding		Amount
Balance - December 31, 2015, December 31, 2016 and February 9, 2017	**96,672,102**	**$**	**280,902**

Outstanding stock options:

The Company did not grant any stock options subsequent to 2012 and the stock option plan was cancelled effective February 9, 2017 on the completion of the Arrangement.

Normal course issuer bid

On September 4, 2015, the Company announced that it had received approval from the TSX to commence a normal course issuer bid ("2015 NCIB") on September 10, 2015 to repurchase and cancel up to 8.5 million of its common shares, representing approximately 8.99% of the public float of the Company and approximately 8.73% of the total number of issued and outstanding shares at that time. The 2015 NCIB ended on September 9, 2016.

For the year ended December 31, 2016, the Company did not purchase any common shares under the 2015 NCIB.

Treasury stock

On May 21, 2014, the Company adopted an equity incentive plan (the "Plan") for employees and directors of the Company. The Plan has been established and the Company funded an independent trust (the "Trust") with cash, which was used by the independent trustee to purchase common shares of the Company on the open market. The shares are held in the Trust and the Company can request the Trust to set aside the shares it holds for the benefit of directors and employees (individually the "Beneficiary") until certain conditions are satisfied, at which time the Trust may allocate and issue those shares to the Beneficiary or, if requested, dispose of them and remit the receipts to the Beneficiary. The shares set aside for employees in the Trust form a part of total compensation that was historically paid as cash and is not incremental compensation. The shares set aside for directors in the Trust cannot be monetized or removed from the Trust until the director retires or otherwise leaves the Board. A portion of the common shares purchased by the Trust was a result of certain employees and consultants of SRC foregoing base compensation historically paid in cash for common shares of the Company purchased through the Trust.

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

The Trust purchased 898 thousand common shares for the year ended December 31, 2016 (for the year ended December 31, 2015: 718 thousand common shares). During the year ended December 31, 2016, an additional 736 thousand common shares were released on vesting from the equity incentive plan.

As a result of the Arrangement, it is anticipated the Trust will be assigned to SRHI effective February 9, 2017 and the Plan continued as if it was the Plan of SRHI. The Plan and Trust will continue to operate purchasing shares of SRHI in place of the Company's shares.

	Common shares (#)		Amount
Common shares held by the Trust, December 31, 2015	372,505	$	705
Acquired for equity incentive plan	897,699		508
Released on vesting of equity incentive plan	(736,112)		(776)
Unvested common shares held by the Trust, December 31, 2016	**534,092**	**$**	**437**
Acquired for equity incentive plan	15,019	$	8
Released on vesting of equity incentive plan	(15,019)	$	(8)
Unvested common shares held by the Trust, February 9, 2017	**534,092**	**$**	**437**

COMMITMENTS (as at March 3, 2017)

SRC Management Services Agreement ("MSA")

Effective February 9, 2017, the Second Amended and Restated MSA was cancelled and a new MSA was entered into effective February 9, 2017 between SRHI and SCLP (the "New MSA"). The terms of the New MSA are substantially the same as the cancelled MSA with further detail of the New MSA provided in the *Management Fee and Profit Distribution* section located elsewhere in this MD&A.

SRC invests and operates in the natural resource sector through SRP. Substantially all of the holdings of SRC are held by SRP. SRC owns nearly all of SRP (approximately 99.99%), other than the managing partnership interest owned by the Managing Partner (approximately 0.01%). On February 9, 2017, SRC entered into the New PA with the Managing Partner in respect of SRP. The terms of the New PA are substantially the same as the Partnership Agreement with one exception - the New PA does not provide for the Managing Partner a distribution of any net profits of SRP.

The Managing Partner continues to have the power and authority to transact the business of SRP and to deal with and in SRP's assets for the use and benefit of SRP, except as limited by any direction of the board of SRHI, and subject to certain limits on authority established from time to time by the board of SRHI.

The Managing Partner continues to hold all non-voting partnership units and, within the terms and conditions established by the Company, will manage SRP's investment activities and assets, and administer the day-to-day operations of SRP. The Managing Partner of SRP may be removed by way of a Special Resolution (as defined in the New PA) approved by no less than two thirds of the votes cast by the holders of the voting partnership units who vote on the resolution. SRC holds all of the voting partnership units of SRP.

TRANSACTIONS WITH RELATED PARTIES

The Company entered into the following transactions with related parties during the year ended December 31, 2016.

Management fees and employment compensation pursuant to the Second Amended and Restated MSA for the year ended December 31, 2016 were $2.2 million (year ended December 31, 2015: $3.6 million). The employment compensation portion was paid directly to employees and consultants of SRC provided by SCLP and the remainder was paid and payable to SCLP, an entity with directors and officers in common. As at December 31, 2016, there was $0.2 million (December 31, 2015: $0.2 million) payable to SCLP for management fees calculated pursuant to the Second Amended and Restated MSA.

On September 29, 2015, the Company as the borrower and SRP as the guarantor entered into an amended and restated Facility with SRLC, a subsidiary of Sprott Inc., the parent company of the Managing Partner, which was subsequently amended by an amending agreement dated May 10, 2016. The Facility was an $18.0 million term facility that matured on November 11, 2016. On October 13, 2016, the Company repaid the Facility in full. For additional information, see the *Financing Activities by the Company* section elsewhere in this MD&A.

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

MANAGEMENT FEE AND PROFIT DISTRIBUTION

January 1, 2016 to February 8, 2017

On May 11, 2015, the Board and the general partner of SCLP approved further changes to the Amended and Restated MSA and the Second Amended and Restated MSA was entered into effective January 1, 2015. The further amendments were put in place to address the Company's adoption of IFRS 10, *Consolidated Financial Statements* and to better align the interests of the Company and SCLP. Such amendments provide, amongst other things, that (i) SCLP is responsible for additional investment management expenses of the Company; (ii) the termination fee payable to SCLP on termination of the agreement (upon or in the absence of, a change of control) has been adjusted; and (iii) the management services fee will be reduced to 0.375% to the extent that and in respect of the Quarterly Net Asset Value (see *Defined Terms* section) of the Company in excess of $1 billion. The Second Amended and Restated MSA may be accessed at www.sedar.com.

The adoption of the investment entity amendments of IFRS 10, IFRS 9 and IAS 28 (the "IFRS Amendments") had no impact on the calculation of management fees and Profit Distribution (see *Defined Terms* section). However, the Board did adopt wording changes to the MSA and the Partnership Agreement to better reflect the IFRS Amendments adopted by the Company.

The Company's calculation of management fees payable to SCLP remained unchanged after adopting the IFRS Amendments. The calculation is determined in respect of each fiscal quarter, 0.5% of the Quarterly Net Asset Value of the Company (2% per annum) where Quarterly Net Asset Value of the Company means, the average of the NAV of the Company as at the end of such fiscal quarter and the NAV of the Company as at the end of the immediately preceding fiscal quarter. NAV of the Company, means, in respect of a particular date, the Company's total assets less its total liabilities less its minority interest, all as at such date as set forth in the Company's consolidated financial statements prepared as at such date.

For the purposes of calculating management fees for the three-months ended December 31, 2016, the reported NAV at September 30, 2016 of $105.7 million was used together with the NAV reported at December 31, 2016 of $110.8 million. Management fees are calculated quarterly based on the average NAV of the current quarter and the prior quarter.

Effective February 9, 2017

Effective February 9, 2017, the Second Amended and Restated MSA was cancelled and the New MSA was entered into effective February 9, 2017 between SRHI and SCLP.

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

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

If and to the extent that SCLP is requested in writing by the directors of SRHI to render services to SRHI other than those required to be rendered pursuant to the New MSA, such additional services and activities will be compensated for separately and will be on such terms that are generally no

less favourable to SRHI than those available from arm's length parties (within the meaning of the Tax Act) for comparable services. In addition to the Management Services Fee payable to SCLP pursuant to the New MSA, SRHI will be responsible for paying all fees and expenses incurred in connection with the operation and administration of its business.

The Adjusted Annual Operating Expenses (as defined in the New MSA) shall not: (a) exceed 3.25% of the Annual Net Asset Value of SRHI (as defined in the New MSA) in respect of its fiscal year ending December 31, 2017 (provided that SRHI's fiscal year ending December 31, 2017 and fiscal quarter ending March 31, 2017 shall each be deemed to begin on the date of the New MSA for the purposes of calculating both the Adjusted Annual Operating Expenses and the Maximum Adjusted Annual Operating Expenses (as defined below) pursuant to this item (a)), and (b) exceed 3% of the Annual Net Asset Value of SRHI in respect of fiscal years commencing with SRHI's fiscal year ended December 31, 2018 and thereafter (the "Maximum Adjusted Annual Operating Expenses"). Where such Adjusted Annual Operating Expenses exceed the Maximum Adjusted Annual Operating Expenses (unless otherwise consented to by the board of directors of SRHI), the Management Services Fee payable by SRHI to SCLP in respect of the last quarterly payment to be made in respect of such fiscal year shall be reduced to ensure the Adjusted Annual Operating Expenses are equal (or, in any case, do not exceed) the applicable Maximum Adjusted Annual Operating Expenses.

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

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

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

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

On February 9, 2017, SRC entered into the New PA with the Managing Partner in respect of SRP. The terms of the New PA do not provide for a profit distribution to be made to the Managing Partner.

SUMMARY OF QUARTERLY RESULTS

	2016				2015			
(in thousands, except per share amounts)	**Dec**	Sept	Jun	Mar	Dec	Sept	Jun	Mar
Investment gain (loss)	**$ 7,537**	$ 12,502	$ (16,143)	$ 6,498	$ (26,201)	$ (52,787)	$ (8,590)	$ (23,973)
Net income (loss) attributable to shareholders	**$ 5,044**	$ 10,919	$ (17,517)	$ 5,035	$ (28,549)	$ (54,599)	$ (10,428)	$ (25,916)
Basic and diluted earnings (loss) per share	**$ 0.05**	$ 0.11	$ (0.18)	$ 0.05	$ (0.30)	$ (0.56)	$ (0.11)	$ (0.27)

The Company is not impacted materially by seasonality.

RISK MANAGEMENT

There are risks associated with owning common shares of the Company that holders should carefully consider. The risks and uncertainties below are not the only risks and uncertainties facing the Company and its Investments. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair the business, operations and future prospects of the Company and its Investments and cause the price of the Company's common shares to decline. If any of the following risks actually occur, the business of the Company and its Investments, as applicable, may be harmed and their respective financial condition, results of operations and cash flows may suffer significantly. In that event, the trading price of the Company's common shares could decline and holders of the Company's common shares may lose all or part of their investment. In addition to the risks described elsewhere and the other information contained in this MD&A, holders of common shares of the Company should carefully consider each of, and the cumulative effect of all of, the following risk factors.

For the purposes of this MD&A, Investments also includes SRHI's investment in LOM. Many of the risks presented below arose as a result of the Arrangement. The risk section below includes both risks relating to the Company before and after the Arrangement.

Risks relating to the Company generally

Investment Entity

The Company holds interests in the Investments. As a result, investors in the Company through SRHI are subject to the risks attributable to the Investments.

The Company's ability to pay its expenses and any future dividends, to meet its obligations and to execute on current or desirable future opportunities or acquisitions generally depends upon receipt of dividends from Investments, sufficient proceeds from the divestment of Investments, and the Company's ability to raise additional capital. The likelihood that shareholders of SRHI will receive returns through the Company will be dependent upon the operating performance, profitability, financial position and creditworthiness of the Investments and on their ability to pay dividends to the Company or to be divested by the Company at a gain.

Commodity Prices

The profitability of the Company's investments will be dependent upon the market price of mineral commodities, oil and natural gas, agricultural commodities and other natural resources relevant to the particular investment. Decreases in the market price of such commodities could have an adverse effect on the Company's business, financial condition, results of operations and common shares. Mineral and oil and natural gas prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates; the rate of inflation; global economic conditions; world supply of mineral commodities, oil and natural gas; consumption patterns for mineral commodities, oil and natural gas; forward sales of mineral commodities, oil and natural gas by producers; global production of mineral commodities, oil and natural gas; political conditions; speculative activities; and stability of exchange rates can all cause significant fluctuations in such prices. Since the Company can have significant investments in the oil and natural gas industry, any improvement in or new discoveries of alternative energy technologies that increase the use of alternative forms of energy and reduce the demand for oil and natural gas could have a material adverse effect on the Company's business, financial condition and results of operations.

Price Volatility

Securities of natural resource companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. As a result of any of these factors, the market price of SRHI's common shares, the market price of public companies and the fair price of private companies in which the Company invests, at any given point in time may be subject to market trends and macroeconomic conditions generally, notwithstanding any potential success of such companies in creating revenues, cash flows or earnings and may not accurately reflect the long-term value of such companies. There can be no assurance that continual fluctuations in price will not occur.

As at December 31, 2016, a 10% increase/decrease in the value of all 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 $10.1 million.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to minimal interest rate risk from its interest bearing financial instruments as they typically have short-term maturities. The Company is not exposed to interest rate risk on its Facility as it was repaid fully on October 13, 2016.

Through the equity portion of some of its Investments, the Company is also indirectly exposed to interest rate risk.

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. Trade and other receivables are subject to credit risk exposure and the carrying values reflect management's assessment of the associated maximum exposure to such credit risk.

The Company has no significant concentrations of credit risk and its exposure to credit risk arises through the Company's cash held primarily through large Canadian financial institutions with credit ratings of AA or higher.

Credit risk is also managed by dealing with counterparties that the Company believes to be creditworthy and by actively monitoring credit exposure and the financial health of the counterparties.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or 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. For additional information, see the *Financing Activities by the Company* section elsewhere in this MD&A.

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 investments when the Company considers it appropriate.

The Company's contractual maturities of financial liabilities as at December 31, 2016 are listed in the *Commitments* section elsewhere in this MD&A.

Private Companies and Illiquid Securities

The Company invests in securities of private companies. There is typically less available information concerning private companies than for public companies. The valuation of private companies and other illiquid securities is also more subjective. In some cases, the Company may be restricted by contract or by applicable securities laws from selling such securities for a period of time. Such securities may not have a ready market and the inability to sell such securities or to sell such securities on a timely basis or at acceptable prices may impair the Company's ability to exit such investments when the Company considers it appropriate, particularly in times of market turmoil. Additionally, the market for certain investments deemed liquid at the time of purchase may become illiquid under adverse market or economic conditions.

Lack of Control over Companies in which the Company Invests

In certain cases, the Company invests in securities of companies that the Company does not control. These investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which the Company does not agree or that the majority stakeholders or management of the company may take risks or otherwise act in a manner that does not serve the Company's interests. If any of the foregoing were to occur, the values of investments by the Company could decrease and the Company's financial condition and cash flow could suffer as a result.

Joint Ventures

Through the business combination between SRC and ADI, SRHI has invested in and, through a wholly-owned subsidiary, is a participant in the Lac Otelnuk Iron Ore Project joint venture (the "LOM Joint Venture"), and may invest in further joint ventures in the future. A joint venture involves certain additional risks, including: (i) the possibility that co-venturers may at any time have economic or business interests or goals that will be inconsistent with SRHI's or take actions contrary to SRHI's instructions or requests or to SRHI's policies or objectives with respect to the investment; (ii) the co-venturer may hold a majority interest or otherwise under the terms of the joint venture have control over all of the day to day and fundamental decisions relating to an investment, including the ability to impose contribution requirements on its co-venturers; (iii) the risk that such co-venturers could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands to maintain and operate such investments or repay the co-venturers' share of debt guaranteed by SRHI or for which SRHI will be liable and/or result in SRHI suffering or incurring delays, expenses and other problems associated with obtaining court approval of joint venture decisions; (iv) the risk that such co-venturers may, through their activities on behalf of or in the name of the ventures, expose or subject SRHI to liability; (v) the need to obtain co-venturers' consents with respect to certain major decisions or inability to have any decision making authority, including the decision to

distribute cash generated from such investment or to sell an investment; and (vi) the risk that co-venturers may disagree over the interpretation of the terms of the joint venture agreement.

In addition, the sale or transfer of interests in joint ventures may be subject to certain requirements, such as rights of first refusal, rights of first offer or drag-along rights, and joint venture agreements may provide for buy-sell or similar arrangements. Such rights may inhibit SRHI's ability to sell an interest in an investment or a joint venture within the time frame or otherwise on the basis SRHI desires. Additionally, drag-along rights may be triggered at a time when SRHI may not want to sell its interest in an investment, but SRHI may be forced to do so at a time when it would not otherwise be in SRHI's best interest. For additional risks relating to the LOM Joint Venture, see "*Risks relating to the Company generally - Risks Relating to the LOM Joint Venture*".

Foreign and Emerging Market Securities

Investments in foreign markets entail special risks such as currency, political, economic and market risks. There also may be greater market volatility, less reliable financial information, higher transaction and custody costs, decreased market liquidity and more or less government associated with investments in foreign markets. In addition, investments in certain foreign markets that have historically been considered stable may become more volatile and subject to increased risk due to ongoing developments and changing conditions in such markets. Moreover, the growing interconnectivity of global economies and financial markets has increased the probability that adverse developments and conditions in one country or region will affect the stability of economies and financial markets in other countries or regions. The risks of investing in emerging market countries are greater than risks associated with investments in foreign developed countries. In addition, the Company's investments in foreign issuers may be denominated in foreign currencies and therefore, to the extent unhedged, the value of the investment will fluctuate with currency exchange rates.

Impact of Geopolitical and Other Global or Local Events

Various events, including natural disasters, extreme weather conditions, labour disputes, civil unrest, war and political instability, terrorism, contagious illness outbreaks, and environmental disasters or the perceived threat of these events and other risks present in the jurisdictions in which the Company or the Investments operate, may cause a disruption of the Company's normal operations or the operations of the Investments and could also have a material adverse effect on the Company's business, results of operations and financial condition.

In particular, increased international political instability, including unsettled political conditions currently existing in the United States and Europe, instability in parts of the Middle East, as well as the ongoing refugee crisis, anti-immigrant activities, social unrest and fears of terrorism, enhanced national security measures, armed conflicts, security issues at the U.S./Mexico border related to illegal immigration or criminal activities associated with illegal drug activities, labour or social unrest, strained international relations and the related decline in economic confidence arising from these and other factors may materially hinder the ability of the Company and the Investments to conduct business, or may reduce demand for the products or services of the Investments. Any escalation in these events or similar future events may disrupt the operations of the Company and the Investments.

The outcome of the recent U.S. presidential election, as well as the Republican Party maintaining control of both the House of Representatives and Senate of the United States, has created uncertainty with respect to, among other things, existing and proposed trade agreements, free trade generally, and potential significant increases on tariffs on goods imported into the United States, particularly from Mexico, Canada and China. It is unknown at this time to what extent new legislation will be passed or pending or new regulatory proposals will be adopted, if any, or the effect that such passage or adoption may have on the business of the Investments. However, changes in U.S. social, political, regulatory and economic conditions or in laws and policies could materially adversely affect the Company's business, results of operations and financial condition.

Acquisition-related Risks

SRHI cannot be certain that it will be able to identify suitable new investment candidates that are available for purchase at reasonable prices. Even if SRHI is able to identify such candidates, it may be unable to consummate an acquisition on suitable terms. When evaluating an acquisition opportunity, SRHI cannot assure shareholders that it will correctly identify the risks and costs inherent in the business that is being acquired. If SRHI were to proceed with one or more significant future acquisitions in which the consideration consisted of cash, a substantial portion of SRHI's available cash resources may be used or SRHI may have to seek additional financing to complete such acquisitions.

Before making investments, SRHI conducts due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, SRHI may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in this due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, SRHI relies on the resources available to it, including information provided by the target of the investment and, in some cases, third party investigations. The due diligence investigation that SRHI will carry out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

Integration of completed acquisitions (including ADI's of SRC) and any future acquisitions involve a number of special risks, including the following: (i) failure to integrate successfully the personnel, information systems, technology, and operations of the acquired business; (ii) failure to maximize the potential financial and strategic benefits of the transaction; (iii) failure to realize the expected synergies from acquired businesses; (iv) possible impairment of relationships with employees as a result of any integration of new businesses and management personnel; (v) possible losses from liabilities assumed in contracts; (vi) impairment of goodwill; and (vii) reductions in future operating results from amortization of intangible assets.

Acquisitions are also accompanied by the risk that the obligations and liabilities of an acquired company may not be adequately reflected in the historical financial statements of such company and the risk that such historical financial statements may be based on assumptions, which are incorrect or inconsistent with SRHI's assumptions or approach to accounting policies.

Lack of Diversification

From time to time, the Company may have only a limited number of investments and projects and, as a result, the performance of the Company may be adversely affected by the unfavourable performance of one investment or project. As well, the Company's investments and projects are concentrated in the natural resource sector. As a result, the Company's performance will be disproportionately subject to adverse developments in this particular sector.
Corsa Coal represents approximately 99% of the Mining segment and approximately 46% of total equity attributable to shareholders of the Company as at December 31, 2016. The Company's investment portfolio concentration as at December 31, 2016 is included in the *Key Investments* section elsewhere in this MD&A.

Key Management and the Second Amended and Restated MSA with SCLP

The success of SRHI will be largely dependent upon the performance of its key officers, consultants and employees and upon the relationship between SRHI and SCLP through the MSA. SRHI's officers and employees are provided by SCLP pursuant to the MSA. SCLP may terminate any of SRHI's key officers, consultants and employees without notice to SRHI. In addition, pursuant to the MSA, SCLP may terminate the MSA upon 180 days' notice. The termination of any of the key officers, consultants or employees of SRHI or the MSA by SCLP may have a negative effect on the performance of SRHI. SRHI has not purchased any "key-man" insurance with respect to any of its directors, officers or key employees and has no current plans to do so.

Access to Capital

If required, the ability of the Company to arrange additional financing in the future will depend in part upon prevailing market conditions as well as the business performance of the Company and the Investments. There can be no assurance that debt or equity financing will be available, or, together with internally generated funds, will be sufficient to meet or satisfy the Company's objectives or requirements or, if the foregoing are available to the Company, that they will be on terms acceptable to the Company.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has exposure to foreign currency risk due to the effects of changes in foreign exchange rates related to certain U.S. denominated investments and cash and cash equivalents. The Company is also indirectly exposed to foreign exchange risk due to the effects of changes in foreign exchange rates related to the underlying operations of some of its Investments. These risks are monitored and evaluated for their effects on cash flows and the benefits of hedging strategies are continuously reviewed.

As at December 31, 2016, approximately $16.9 million or 14.9% (December 31, 2015: $66.1 million or 54.3%) of total assets were invested in Investments priced in USD. As at December 31, 2016, had the exchange rate between the USD and the Canadian dollar increased or decreased by 5%, with all other variables held constant, the increase or decrease, respectively, in net income for the year ended December 31, 2016 would have amounted to approximately $0.8 million (for the year-ended December 31, 2015: $3.3 million).

Regulatory Risk

Certain of the Investments may be subject to extensive government regulations and oversight with respect to their business activities. Failure to comply with applicable regulations, obtain applicable regulatory approvals or maintain those approvals may subject the applicable operating company to civil penalties, suspension or withdrawal of any regulatory approval obtained, injunctions, operating restrictions and criminal prosecutions and penalties, which could, individually or in the aggregate, have a material adverse effect on the Company's consolidated financial position.

Conflicts of Interest

Certain directors and officers of SRHI are or may become associated with other natural resource companies, SCLP, Sprott, Sprott Resource Lending Corp., Sprott Asset Management LP or Sprott Korea Corp., which may give rise to, or appear to give rise to, conflicts of interest. In addition, one of SRHI's directors is an officer of WISCO Canada Resources Investment Limited, a subsidiary of WISCO, and the presence of such director on the SRHI board could give rise to, or appear to give rise to, conflicts of interest and other issues with respect to his fiduciary duties to SRHI if SRHI's directors are faced with decisions that could have different implications for WISCO than for SRHI. In accordance with the *Canada Business Corporations Act*, directors who have a material interest in any person who is a party to a material contract or a proposed material contract with SRHI are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and the officers are required to act honestly and in good faith with a view to the best interests of SRHI. The directors and officers of SRHI have either other full-time employment or other business or time restrictions placed on them and accordingly, SRHI will not necessarily be the only business enterprise of these directors and officers.

Exposure to Unforeseen Tax Liabilities

The Company and the Investments are subject to income taxes as well as non-income based taxes, in Canada and various foreign jurisdictions and the Company's and the Investment's tax structures are subject to review by numerous taxation authorities. Although the Company strives to ensure that its tax estimates and filing positions are reasonable, the Company cannot assure shareholder that the final determination of any tax audits and litigation will not be different from what is reflected in the Company's or the Investments historical income tax provisions and accruals, and any such differences may materially affect the Company's operating results for the affected period or periods.

Activist Shareholder Risks

SRHI may be subject, from time to time, to challenges in the operation of its business due to actions instituted by activist shareholders or others. Responding to such actions could be costly and time-consuming, may not align with SRHI's business strategies and could divert the attention of SRHI's board of directors and senior management from the pursuit of business strategies. Perceived uncertainties as to SRHI's future direction as a result of shareholder activism may lead to the perception of a change in the direction of the business or other instability and may make it more difficult to attract and retain qualified personnel and business partners and may affect SRHI's relationships with other third parties.

Detection of Errors or Fraud

Due to the inherent limitations of internal control systems, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all. Accordingly, the Company cannot provide absolute assurance that all control issues, errors or instances of fraud, if any, within (or otherwise impacting) the Company have been or will be prevented or detected. In addition, over time, certain aspects of a control system may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate, which the Company may not be able to address quickly enough to prevent all instances of error or fraud.

Uncertainties Involved in the Estimates, Judgments and Assumptions Used in Preparing Financial Statements

The Company's financial statements are prepared in accordance with IFRS. The preparation of the financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of its assets, liabilities and related reserves, revenues and expenses. Estimates, judgments and assumptions are inherently subject to changes in future periods, which could have a material adverse effect on the Company's financial position and results of operations. See "*Critical Accounting Estimates and Judgments*" elsewhere in this MD&A.

United States Investment Company Act

It is intended that SRHI will make acquisitions and other investments in a manner so as not to be an investment company under the United States *Investment Company Act of 1940* (the "Investment Company Act"). The Investment Company Act contains substantive legal requirements that regulate the manner in which investment companies are permitted to conduct their business activities. If the United States Securities and Exchange Commission or a court were to determine that SRHI is an investment company, SRHI could be required to register as an investment company. This would negatively affect SRHI's ability to consummate acquisitions; subject SRHI to disclosure and accounting guidance geared toward investment, rather than operating companies; limit SRHI's ability to borrow money, issue options, issue multiple classes of stock and debt, and engage in transactions with affiliates; and require SRHI to undertake significant costs and expenses to meet the disclosure and regulatory requirements to which it would be subject as a registered investment company. In order not to be regulated as an investment company under the Investment Company Act, unless SRHI can qualify for an exemption, SRHI must ensure that it is engaged primarily in a business other than investing, reinvesting, owning, holding or trading in securities (as defined in the Investment Company Act) and that it does not own or acquire "investment securities" (as defined in the Investment Company Act) having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. SRHI will monitor its holdings to ensure continuing and ongoing compliance with the 40% test.

To ensure that majority-owned investments do not become categorized as "investment securities," SRHI may need to make additional investments in these subsidiaries to offset any dilution of its interest that would otherwise cause such a subsidiary to cease to be majority-owned or dispose of such investments at inopportune times. SRHI may also need to forego acquisitions that it would otherwise make or retain, or dispose of investments that it might otherwise hold. Although SRHI intends to monitor its holdings periodically and prior to each acquisition or disposition, it may not be able to maintain an exclusion from registration as an investment company. If SRHI is required to register as an investment company but fails to do so, SRHI would be prohibited from engaging in its business, and criminal and civil actions could be brought against it. In addition, SRHI's contracts would be unenforceable unless a court required enforcement, and a court could appoint a receiver to take control of SRHI and liquidate its business. Finally, if SRHI were to become an investment company then it would be subject to material additional regulation under the Investment Company Act, and its operations would be materially and adversely affected. There can no assurance that SRHI will be able to make the acquisitions and/or other investments in a manner that would enable SRHI to comply with the Investment Company Act.

U.S. federal income tax consequences of "passive foreign investment company" status

Certain U.S. beneficial holders of SRHI common shares should be aware that they could be subject to certain adverse U.S. federal income tax consequences in the event that SRHI is, or becomes, classified as a passive foreign investment company (a "PFIC") for U.S. federal income tax purposes. The determination as to whether a non-U.S. corporation is a PFIC is based on the application of complex U.S. federal income tax rules, which are subject to differing interpretations, and the determination will depend on the composition of the income, expenses and assets of the non-U.S. corporation from time to time and the nature of the corporation's activities. Based on current assets and activities and on assumptions about activities during the balance of the current taxable year, SRHI believes that it will be classified as a PFIC for the 2016 taxable year and in some or all years

preceding the Arrangement, and may be a PFIC in future tax years. However, PFIC classification for any taxable year is based on the application of complex U.S. federal income tax rules, which are subject to differing interpretations, and is fundamentally factual in nature, and the determination of the SRHI's PFIC status is made annually based on the types of income SRHI earns and the type and value of its assets in each such year, as well as on the application of complex U.S. federal income tax rules, including "look through" rules with respect to its subsidiaries, and cannot be determined until after the end of such taxable year. Shareholders of SRHI common shares are urged to consult their own tax advisors regarding the likelihood and consequences of SRHI being treated as a PFIC for U.S. federal income tax purposes, including the availability and advisability of any elections that may help mitigate the tax consequences to a U.S. Holder if SRHI is a PFIC. Under proposed U.S. Treasury Regulations, if SRHI is classified as a PFIC, the holding period for any SRHI common shares acquired on the exercise of Warrants would begin on the date certain U.S. beneficial holders acquire the Warrants. This could affect adversely the availability of any election that otherwise may be available with respect to SRHI common shares received upon the exercise of Warrants. Shareholders of ADI are urged to consult their own tax advisors regarding the consequences of these rules with respect to the Warrants and SRHI common shares received upon the exercise of Warrants, including the availability and advisability of any elections that may help mitigate the tax consequences to a U.S. Holder if SRHI is a PFIC.

Risks Relating to the LOM Joint Venture

Integration and Strategic Relationships

SRHI was formed as a result of the business combination between SRC and ADI completed on February 9, 2017. The LOM Joint Venture was formed under a joint venture agreement between ADI, a wholly-owned subsidiary of WISCO International Resources Development and Investment Limited ("WISCO") and Lac Otelnuk Mining Ltd. ("LOM"), the joint venture vehicle, signed on January 12, 2012 (the "LOM JV Agreement"). The LOM JV Agreement may expose SRHI to new geographic, political, operating, financial and geological risks. The strategic relationship under the LOM JV Agreement may have unknown significant liabilities. Pursuant to the LOM JV Agreement, SRHI may have difficulty realizing anticipated synergies and maximizing the financial and strategic position of the strategic relationship. The integration of the strategic relationship may disrupt SRHI's ongoing business and its relationships with employees, customers, suppliers and contractors. Any failure by LOM to meet its obligations, or any disputes with respect to the parties' respective rights and obligations could have a material adverse effect on SRHI.

Disputes between SRHI and WISCO or its Affiliates Could Harm SRHI's Operations

Disputes may arise between SRHI and WISCO or its affiliates in a number of areas, including with respect to LOM under the JV Agreement and the interpretation or application of the provisions of the LOM JV Agreement. SRHI may not be able to resolve any potential conflicts, and even if it does, the resolution may be less favourable than if SRHI were dealing with a party that did not own a majority interest in LOM.

WISCO has Effective Control of LOM

As at the date of this MD&A, WISCO beneficially owned 60% of the common shares of LOM, and WISCO has the right to appoint a majority of the directors to LOM. Accordingly, WISCO has effective control of LOM and the Lac Otelnuk Project.

LOM is not SRHI's Subsidiary

SRHI has a minority interest in LOM and does not control the board of directors of LOM and SRHI's business plans for LOM may conflict with the plans of WISCO who owns the majority interest in LOM. This may restrict the ability of SRHI to deal freely with LOM and the Lac Otelnuk Project, to increase its equity interest in LOM and the Lac Otelnuk Project and to structure its business in a tax effective manner.

WISCO may not Vote its Shares in the Best Interest of SRHI

As of the date of this MD&A, WISCO beneficially owned 30,216,480 of SRHI's common shares. WISCO's beneficial ownership represents approximately 5.9% of the issued and outstanding SRHI common shares. WISCO's interest in LOM and the Lac Otelnuk Project is greater than its investment in SRHI. To the extent any vote of SRHI shareholders is required, it could create a conflict of interest between what is in the best interest of SRHI and what is in the best interest of WISCO, including in circumstances where a shareholder vote is required in respect of a financing and the failure to obtain such financing could result in WISCO diluting SRHI's interest in LOM and increasing WISCO's interest in LOM.

SRHI may be Subject to Dilution of its Interest in LOM and the Lac Otelnuk Project

SRHI may be subject to dilution of its interest in LOM and the Lac Otelnuk Project, should additional funding become necessary to continue operations. Should additional funds become necessary to supplement, increase, or improve the operations, SRHI may not be in the position to invest additional capital, and if it fails to invest additional capital its interest in LOM and the Lac Otelnuk Project could be diluted.

At present, SRHI owns a minority interest in LOM. At the present time, SRHI does not have the ability to fund the Lac Otelnuk Project to commercial production. Furthermore, there is no assurance that WISCO, the majority holder in LOM, will be able to fund the Lac Otelnuk Project either. The inability to fund may have a significant impact on the value of SRHI's investment in LOM. If the Lac Otelnuk Project is not funded properly, SRHI and/or LOM may lose its rights to the Lac Otelnuk Project.

Cybersecurity Risks and Threats

The Company relies on information technology networks and systems, including those of third-party service providers, to process, transmit and store electronic information. In particular, the Company depends on its information technology infrastructure for a variety of functions, including financial reporting and other data management, procurement, invoicing and email communications. Any of these systems may be susceptible to outages due

to fire, floods, power loss, telecommunications failures, terrorist attacks, sabotage and similar events. Global cybersecurity threats and incidents can range from uncoordinated individual attempts to gain unauthorized access to the Company's or any of the Investment's information technology systems to sophisticated and targeted measures known as 'advanced persistent threats', which might not be noticed for some period of time. The ever-increasing use and evolution of technology, including cloud-based computing, creates opportunities for the unintentional dissemination or intentional destruction of confidential information stored in the Company's or any of the Investment's systems or in non-encrypted portable media or storage devices. The Company or any of the Investments could also experience a business interruption, information theft of confidential data, or reputational damage from industrial espionage attacks, malware or other cyber-attacks, which may compromise the Company's or any of the Investment's system infrastructure or lead to data leakage, either internally or at third-party providers. Despite the implementation of advanced threat protection, detection and mediation measures, information and network security measures and disaster recovery plans, the Company's or any of the Investment's systems and those of third parties on which the Company or any of the Investments rely may also be vulnerable to computer viruses, break-ins and similar disruptions. If the Company or any of the Investment are unable (or are perceived as unable) to prevent, or detect and mitigate the impact of, such outages and breaches, the Company's or any of the Investment's operations may be disrupted and the Company's or any of the Investment's business reputation could be adversely affected.

Risks relating to the energy sector

Risks Relating to the Oil and Gas Exploration and Production Industry

The Company encourages you to consult InPlay Oil's public disclosure record for information on risk factors affecting their business, including the factors described in the section entitled "*Risk Factors"* in Schedule "I" to InPlay Oil's and Anderson's joint information circular dated October 5, 2016 (available under InPlay Oil's profile on SEDAR at www.SEDAR.com) and in the section entitled "*Risk Factors*" in Anderson's annual information form for the year ended December 31, 2015 (available under InPlay Oil's profile on SEDAR at www.SEDAR.com), which sections (collectively, the "2015 InPlay Oil Risk Factors") are incorporated by reference into this MD&A and copies of which have been filed under SRHI'S profile on SEDAR at www.SEDAR.com. The 2015 InPlay Oil Risk Factors shall be automatically deemed to no longer be incorporated by reference into this MD&A upon the filing, under SRHI's profile on SEDAR at www.SEDAR.com, of a document containing an extract of the risk factors from the 2016 InPlay Oil AIF (to be available under InPlay Oil's profile on SEDAR at www.SEDAR.com) or such other applicable document, at which time such risk factors from the 2016 InPlay Oil AIF or such other applicable document will be deemed to be incorporated by reference into this MD&A.

The following risks specifically apply to InPlay Oil, as noted, as well as, more generally, other companies in the oil and gas exploration and production industry.

Risks associated with a prolonged decline in crude oil, natural gas liquids and natural gas and the effect on credit liquidity and access to capital.

A substantial and extended decline in the prices of crude oil, natural gas liquids or natural gas could negatively impact the liquidity and/or credit ratings of a company as well as their ability to comply with debt covenants or with the terms of their credit facilities. Future development of InPlay Oil's business may be dependent on its ability to obtain additional capital, including, but not limited to, debt and equity financing. An inability to access capital could affect a company's ability to make future capital expenditures and to fund its capital, operating and financing commitments. The ability to obtain additional capital is dependent on, among other things, interest in investments in the energy industry and in E&P securities, in particular.

The credit rating agencies regularly evaluate E&P companies. Their ratings are based on a number of factors, including conditions affecting the oil and gas industry generally, and the wider state of the economy. A reduction in an investment-grade credit rating for InPlay Oil to below investment grade could adversely affect the cost and availability of borrowing and access to sources of liquidity and capital.

Volatility in Oil and Natural Gas Prices

InPlay Oil's results of operations and financial condition are dependent on the prices InPlay Oil receives for the oil and natural gas (and related products) they produce and sell. Oil and natural gas prices have fluctuated widely during recent years and may continue to be volatile in the future. Oil and natural gas prices may fluctuate in response to a variety of factors beyond InPlay Oil's control, including:

- global energy supply, production and policy, including the ability of the Organization of the Petroleum Exporting Countries ("OPEC") to set and maintain production levels in order to seek to influence prices for oil;
- political conditions, including the risk of hostilities in the Middle East and global terrorism;
- global and domestic economic conditions;
- the level of consumer demand including demand for different qualities and types of oil and liquids;
- the supply and price of imported oil and liquefied natural gas;
- the production and storage levels of North American natural gas and the supply and price of imported and liquefied natural gas;
- currency fluctuations;
- weather conditions;
- the price and availability of alternative fuels;
- the proximity of reserves and resources to, and capacity of, transportation facilities;
- the availability of refining capacity;
- the effect of world-wide energy conservation measures and greenhouse gas reduction measures;

- government regulations;
- the expected rates of declining current production;
- technical advances affecting energy consumption;
- domestic and foreign governmental regulations and taxes; and
- speculative trading in oil and natural gas derivative contracts.

These factors and the volatility of the energy markets make it extremely difficult to predict future oil, NGL and natural gas price movements with any certainty. A material decline in prices could result in a reduction of InPlay Oil's net production revenue. The economics of producing from some wells may change because of lower prices, which could result in reduced production of oil or natural gas and a reduction in the volumes of InPlay Oil's reserves. InPlay Oil might also elect not to produce from certain wells at lower prices.

Oil and natural gas producers in North America, and particularly Canada, currently receive significantly discounted prices for their production due to constraints on the ability to transport and sell such production to international markets. Additionally, limited natural gas processing capacity may result in producers not realizing the full price for liquids associated with their natural gas production. A failure to resolve such constraints may result in continued reduced commodity prices received by oil and natural gas producers such as InPlay Oil.

Any decline in crude oil or natural gas prices may have a material adverse effect on InPlay Oil's operations, financial condition, borrowing ability, levels of reserves and the level of expenditures for the development of InPlay Oil's oil and natural gas reserves. Certain oil or natural gas wells may become uneconomic to produce if market conditions deteriorate, thereby impacting InPlay Oil's production volumes.

Oil and natural gas prices are expected to remain volatile for the near future because of market uncertainties over the supply and the demand of these commodities due to the current state of the world economies, OPEC actions, and sanctions imposed on certain oil producing nations by other countries and ongoing credit and liquidity concerns. Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

The Company or InPlay Oil may use financial derivative instruments and other hedging mechanisms to try to limit a portion of the adverse effects resulting from volatility in natural gas and oil commodity prices. To the extent the Company or InPlay Oil hedge their commodity price exposure, they may forgo the benefits they would otherwise experience if commodity prices were to increase. In addition, these commodity price hedging activities could expose the Company or InPlay Oil to losses which could occur in various circumstances, including if the counterparty to a hedging agreement does not perform its obligations. See "*Risk Factors - Risks Relating to the Energy Sector - Risks Relating to the Oil and Gas Exploration and Production Industry - Counterparty Risk*" below.

Uncertainties Associated with Drilling and Well Stimulation Activities

InPlay Oil's future financial condition and results of operations will depend on the success of their exploration, development and production activities. InPlay Oil's drilling and well stimulation activities are subject to many risks. For example, InPlay Oil can provide no assurance that new wells drilled and completed by it will be productive or that InPlay Oil will recover all or any portion of their investment in such wells. Drilling for oil, NGL and natural gas and attempts to stimulate well productivity often involve unprofitable efforts, not only from dry wells but also from wells that are productive but do not produce sufficient oil, NGL or natural gas to return a profit at the realized prices after deducting drilling, operating and other costs. The seismic data and other technologies InPlay Oil use do not allow them to know conclusively prior to drilling a well that oil or natural gas is present or that it can be produced economically. The costs of exploration, exploitation and development activities are subject to numerous uncertainties beyond InPlay Oil's control, and increases in those costs can adversely affect the economics of a project. Further, InPlay Oil's drilling, well stimulation and producing operations may be curtailed, delayed, canceled or otherwise negatively impacted as a result of other factors, including:

- unusual or unexpected geological formations;
- loss of drilling fluid circulation;
- loss of title or other title related issues;
- facility or equipment malfunctions;
- surface access restrictions;
- restrictions in oil, NGL and natural gas prices;
- limitations in the market for oil, NGL and natural gas;
- unexpected operational events;
- shortages or delivery delays of equipment and services;
- compliance with environmental and other governmental requirements; and
- adverse weather conditions.

Any of these risks can cause substantial losses, including personal injury or loss of life, damage to or destruction of property, natural resources and equipment, pollution, environmental contamination or loss of wells and other regulatory penalties.

In addition, drilling for unconventional oil, NGL and natural gas, stimulating well productivity and production of unconventional oil, NGL and natural gas resources poses additional operating risks different from conventional oil, NGL and natural gas production operating risks, including:

- higher capital costs than similar depth conventional natural gas wells because of necessary alternative drilling or completion techniques, water production, treatment and disposal costs, additional compression, or other factors;
- relatively long pilot production test times to determine commerciality or optimal practices, as compared to conventional oil and natural gas fields;
- peak production rates, time to reach peak rate, and time that peak rate can be sustained, are subject to substantially greater uncertainty for unconventional oil and natural gas wells than conventional oil and natural gas wells;
- difficulties associated with producing water, including scale formation, corrosion or backpressure caused by inefficient pumping, restrictions on surface facilities capacity, failure of water disposal wells to adequately handle required volumes of produced water and related dewatering;
- difficulties associated with extreme weather conditions including potential freezing;
- more wells per section in some instances to optimally and cost-effectively develop reserves;
- reduced wellhead pressures needed for production, leading to larger flow lines or additional compression; and
- complexity of development of multiple productive zones.

Requirement for Significant Capital Investment

InPlay Oil's future success depends upon their ability to find, develop or acquire oil, NGL and natural gas reserves that are economically recoverable. InPlay Oil's reserves and production therefrom will generally decline as reserves are depleted, except to the extent that InPlay Oil conducts successful exploration or development activities or acquire additional properties containing reserves, or both. To increase reserves and production, InPlay Oil may undertake development, exploration and other replacement activities or use third parties to accomplish these activities. InPlay Oil has made and expects to make in the future substantial capital investments in their business and operations for the development, production, exploration and acquisition of oil, NGL and natural gas reserves. Historically, InPlay Oil has financed capital investments primarily with cash flow from operations, the issuance of equity and debt securities and borrowings under their bank and other credit facilities. InPlay Oil's cash flow from operations and access to capital are subject to a number of variables, including:

- their reserves;
- the level of oil, NGL and natural gas they are able to produce from existing wells;
- the prices at which oil, NGL and natural gas are sold; and
- their ability to acquire, locate and produce new reserves.

InPlay Oil may not have sufficient resources to undertake exploration, development and production activities or the acquisition of oil, NGL and natural gas reserves. InPlay Oil exploratory projects or other replacement activities, if any, may not result in significant additional reserves and InPlay Oil may not have success drilling productive wells at low finding and development costs. If InPlay Oil is unable to find, develop or acquire additional oil, NGL and natural gas reserves, their cash flow and results of operations may be adversely affected. As such, InPlay Oil may require additional financing in order to carry out their oil, NGL and natural gas acquisition, exploration and development activities that cannot be satisfied from cash flow from operations. There is a risk that if the economy and banking industry experiences unexpected and/or prolonged deterioration, InPlay Oil's access to additional financing may be affected. Because of global economic volatility, InPlay Oil may from time to time have restricted access to capital and increased borrowing costs. Failure to obtain such additional financing on a timely basis could cause InPlay Oil to forfeit their interest in certain properties, miss certain acquisition opportunities and reduce or terminate their operations. If InPlay Oil's revenues from their reserves decrease as a result of lower oil, NGL and natural gas prices, operating difficulties, declines in reserves or otherwise, it will affect InPlay Oil's ability to obtain the necessary capital to replace their reserves or to maintain their production. To the extent that external sources of capital become limited, unavailable, or available only on onerous terms, InPlay Oil's ability to make capital investments and maintain existing assets may be impaired, and their assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result. Additionally, there can be no assurance that additional debt or equity financing will be available to meet these requirements on favourable terms or at all and any equity financing may result in a change of control of InPlay Oil.

Actual Reserves will Vary from Reserve Estimates

The value of InPlay Oil's common shares, and consequently, SRHI's common shares, depends upon, among other things, the reserves attributable to InPlay Oil's properties. The actual reserves contained in InPlay Oil's properties will vary from the estimates summarized by InPlay Oil and those variations could be material. Estimates of reserves are by necessity projections, and thus are inherently uncertain. The process of estimating reserves requires interpretations and judgments on the part of petroleum engineers, resulting in imprecise determinations, particularly with respect to new discoveries. Different engineers may make different estimates of reserve or resource quantities and revenues attributable thereto based on the same data. Ultimately, actual reserves attributable to InPlay Oil's properties will vary and be revised from current estimates, and those variations and revisions may be material. A number of factors are considered and a number of assumptions are made when estimating reserves. These factors and assumptions include, among others:

- historical production in the area compared with production rates from similar producing areas;
- future commodity prices, production and development costs, royalties and capital expenditures;
- initial production rates;
- production decline rates;
- ultimate recovery of reserves;

- success of future exploitation activities;
- marketability of production; and
- the effects of government regulation and other government levies that may be imposed over the producing life of reserves.

Reserve estimates are based on the relevant factors, assumptions and prices on the date the evaluations were prepared. Many of these factors are subject to change and are beyond InPlay Oil's control. If these factors, assumptions and prices prove to be inaccurate, InPlay Oil's actual reserves could vary materially from their estimates. Additionally, all such estimates are, to some degree, uncertain, and classifications of reserves are only attempts to define the degree of uncertainty involved. For these reasons, estimates of the economically recoverable quantities of oil and natural gas, the classification of such reserves based on risk of recovery and associated contingencies, and the estimates of future net revenues expected therefrom, prepared by different engineers or by the same engineers at different times, may vary substantially.

Estimates with respect to reserves that may be developed and produced in the future are often based upon volumetric or probabilistic calculations and upon analogy to similar types of reserves, rather than upon actual production history. Estimates based on these methods generally are less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history may result in variations or revisions in the estimated reserves, and any such variations or revisions could be material. Reserve estimates may require revision based on actual production experience. Such figures have been determined based upon assumed oil, natural gas and NGL prices and operating costs. Market price fluctuations of commodity prices may render uneconomic the recovery of certain categories of oil or natural gas. Moreover, short term factors may impair the economic viability of certain reserves in any particular period.

Inability to Add or Develop Additional Reserves

InPlay Oil adds to their oil and natural gas reserves primarily through acquisitions and ongoing development of reserves, together with certain exploration activities. As a result, the level of InPlay Oil's future oil and natural gas reserves are highly dependent on their success in developing and exploiting their reserve and resource bases and acquiring additional reserves through purchases or exploration. Exploration and development risks arise for InPlay Oil and may affect the value of SRHI's common shares, due to the uncertain results of searching for and producing oil and natural gas using imperfect scientific methods. Additionally, if capital from external sources is not available or is not available on commercially advantageous terms, InPlay Oil's ability to make the necessary capital investments to maintain, develop or expand their oil and natural gas reserves will be impaired. Even if the necessary capital is available, InPlay Oil cannot assure that they will be successful in acquiring additional reserves on terms that meet their investment objectives. Without these additions, InPlay Oil's reserves will deplete and, as a consequence, either their production or the average life of their reserves will decline.

An Increase in Operating Costs or a Decline in Production Level

Higher operating costs for InPlay Oil's properties will directly decrease the amount of cash flow received by InPlay Oil. Electricity, chemicals, supplies, energy services and labour costs are a few of InPlay Oil's operating costs that are susceptible to material fluctuation. The level of production from InPlay Oil's existing properties may decline at rates greater than anticipated due to unforeseen circumstances, many of which are beyond the Company's and InPlay Oil's control. Higher operating costs or a significant decline in production could result in materially lower revenues and cash flows.

Reserves and Production May Decline Over Time

Producing oil, NGL and natural gas reserves are generally characterized by declining production rates that vary depending upon reservoir characteristics and other factors. Exploration and development are InPlay Oil's main methods of replacing and expanding their asset base. InPlay Oil's exploration and development activities in their properties and other properties InPlay Oil pursues in the future may not be successful for various reasons. Exploration activities involve numerous risks, including the risk that no commercially productive reservoirs will be discovered. In addition, the future cost and timing of drilling, completing and tying-in wells are often uncertain. InPlay Oil's exploration and development operations may be curtailed, delayed or cancelled as a result of a variety of factors, including:

- inadequate capital resources;
- lack of acceptable prospective acreage;
- mechanical difficulties such as major natural gas plant and regional pipeline failures;
- unexpected drilling conditions;
- pressure or irregularities in formations;
- equipment failures or accidents;
- lack of storage;
- weather conditions;
- title problems;
- compliance with governmental regulations or required regulatory approvals;
- inadequate access to natural gas gathering and processing infrastructure and capacity;
- unavailability or high cost of drilling rigs, equipment or labour;
- approvals of third parties;
- reductions in oil, NGL or natural gas prices; and
- limitations in the market for oil, NGL or natural gas.

InPlay Oil may be unable to acquire and develop properties in their core areas. InPlay Oil may not be able to develop, find or acquire additional reserves to replace their current and future production at acceptable costs, which would adversely affect their business, financial condition and results of operations.

Declining General Economic, Business or Industry Conditions

Concerns over global economic conditions, fluctuations in interest rates and foreign exchange rates, stock market volatility, energy costs, geopolitical issues, inflation, the availability and cost of credit, the ongoing European sovereign debt issues, and slowing economic growth in developing countries have contributed to increased economic uncertainty and diminished expectations for the global economy. These factors, combined with volatile prices of oil, NGL and natural gas, declining business and consumer confidence and increased unemployment, have precipitated an economic slowdown and a recession. In addition, continued hostilities in the Middle East and the occurrence or threat of terrorist attacks in the United States or other countries could adversely affect the economies of Canada, the United States and other countries. Concerns about global economic growth have had a significant adverse impact on global financial markets and commodity prices. If the economic climate in Canada or abroad deteriorates further, worldwide demand for petroleum products could diminish further, which could impact the price at which InPlay Oil can sell their oil, NGL and natural gas, affect the ability of InPlay Oil's vendors, suppliers and customers to continue operations and ultimately adversely impact InPlay Oil's results of operations, liquidity and financial condition.

General Energy Sector Risk

The business and operations of InPlay Oil, including the drilling of oil and natural gas wells and the production and transportation of oil and natural gas, are subject to certain risks inherent in the oil and natural gas business. These risks and hazards include encountering unexpected formations or pressures, blow-outs, craterings and fires. InPlay Oil's operations may also subject them to the risk of vandalism or terrorist threats including eco-terrorism. The foregoing hazards could result in personal injury, loss of life, reduced production volumes or environmental and other damage to InPlay Oil's property and the property of others. InPlay Oil cannot fully protect against all of these risks, nor are all of these risks insurable. Although InPlay Oil carries liability, business interruption and property insurance in respect of such matters, there can be no assurance that insurance will be adequate to cover all losses resulting from such events or that the lost production will be restored in a timely manner. InPlay Oil may become liable for damages arising from these events against which they cannot insure or against which they may elect not to insure because of high premium costs or other reasons. Any costs incurred to repair damages or pay liabilities would reduce the value of InPlay Oil's common shares.

Uncertainties Associated with Exploration and Development of Unproved Properties

InPlay Oil may acquire significant amounts of unproved property in order to further their development efforts. Development and exploratory drilling and production activities are subject to many risks, including the risk that no commercially productive reservoirs will be discovered. InPlay Oil may acquire unproved properties and lease undeveloped acreage that InPlay Oil believes will enhance their growth potential and increase their earnings over time. However, InPlay Oil can provide no assurance that all prospects will be economically viable or that InPlay Oil will not abandon their investments. Additionally, InPlay Oil can provide no assurance that unproved property acquired by InPlay Oil or undeveloped acreage leased by InPlay Oil will be profitably developed, that new wells drilled by InPlay Oil in prospects that it pursues will be productive or that InPlay Oil will recover all or any portion of their investment in such unproved property or wells.

Drilling for oil, NGL and natural gas may involve unprofitable efforts, not only from dry wells but also from wells that are productive but do not produce sufficient commercial quantities to cover the drilling, operating and other costs. The cost of drilling, completing and operating a well is often uncertain, and many factors can adversely affect the economics of a well or property. Drilling operations may be curtailed, delayed or canceled as a result of unexpected drilling conditions, equipment failures or accidents, shortages of equipment or personnel, environmental issues and for other reasons. In addition, wells that are profitable may not meet InPlay Oil's internal return targets, which are dependent upon the current and expected future market prices for oil, NGL and natural gas, expected costs associated with producing oil, NGL and natural gas and InPlay Oil's ability to add reserves at an acceptable cost.

Environmental Claims and Liability

The oil and natural gas industry is subject to extensive environmental regulation pursuant to local, provincial and federal legislation in Canada. A breach of that legislation may result in the imposition of fines or the issuance of 'clean up' orders. Legislation regulating InPlay Oil's industry may be changed to impose higher standards and potentially more costly obligations, such as legislation that would require significant reductions in greenhouse gas emissions. The implementation of more stringent environmental legislation or regulatory requirements may result in additional costs for oil and natural gas producers such as InPlay Oil, and such costs may be significant, which may negatively impact the trading price or value of InPlay Oil's common shares and consequently SRHI's common shares.

InPlay Oil is not fully insured against certain environmental risks, either because such insurance is not available or because of high premium costs. In particular, insurance against risks from environmental pollution occurring over time (as opposed to sudden and catastrophic damage) is not available on economically reasonable terms. Accordingly, InPlay Oil's properties may be subject to liability due to hazards that cannot be insured against, or that have not been insured against due to prohibitive premium costs or for other reasons.

InPlay Oil did not establish a separate reclamation fund for the purpose of funding their estimated future environmental and reclamation obligations. The Company cannot assure investors that InPlay Oil will be able to satisfy their future environmental and reclamation obligations. Any site reclamation or abandonment costs incurred in the ordinary course, in a specific period, will likely be funded out of cash flows. Should InPlay Oil be unable to

fully fund the cost of remedying an environmental claim, InPlay Oil might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy.

Government Regulations and Required Regulatory Approvals

The oil and gas industry operates under federal, provincial and municipal legislation and regulation governing such matters as land tenure; prices; royalties; production rates; environmental protection controls; well and facility design and operation; income; exportation of crude oil, natural gas and other products; health and safety and other matters. The industry is also subject to regulation by governments in such matters as the awarding or acquisition of exploration and production rights; the imposition of specific drilling obligations; environmental protection controls; control over the development and abandonment of fields and mine sites (including restrictions on production); and possibly expropriation or cancellation of contract rights.

To the extent that InPlay Oil fails to comply with applicable government regulations or regulatory approvals, they may be subject to fines, enforcement proceedings (including "enforcement ladders" with varying penalties) and the restriction or complete revocation of rights to conduct their business, or to apply for regulatory approvals necessary to conduct their business, in the ordinary course. Government regulations may be changed from time to time in response to economic or political conditions. Additionally, the adoption of new technology by InPlay Oil may attract additional regulatory oversight which could result in higher costs or require changes to proposed operations. For example, Canadian regulatory bodies have enhanced their oversight of and reporting obligations associated with fracturing procedures. The exercise of discretion by governmental authorities under existing regulations, the implementation of new regulations or the modification of existing regulations affecting the crude oil and natural gas industry could negatively impact the development of oil and gas properties and assets, reduce demand for crude oil and natural gas, or increase InPlay Oil's costs, any of which will have a material adverse impact on InPlay Oil. Additionally, various levels of Canadian and U.S. governments have implemented, or are considering, legislation to reduce emissions of greenhouse gases. Because InPlay Oil's operations emit various types of greenhouse gases, such new legislation or regulation could increase the costs related to operating and maintaining InPlay Oil's facilities and could require them to install new emission controls on their facilities, acquire allowances for their greenhouse gas emissions, pay taxes related to their greenhouse gas emissions and administer and manage a greenhouse gas emissions program. InPlay Oil is not able at this time to estimate such increased costs; however, they could be significant.

Oil, NGL and natural gas companies operating in Alberta are subject to significant regulation with respect to their employees' health and safety. Companies are required to self-report accidents and infractions, but regular and random audits of operations are also part of the regulatory process. Previous violations of the same requirement are taken into account when assessing penalties and subsequent behavior may be subjected to escalating levels of oversight and loss of operating freedom. Non-compliance with regulations may in the future result in suspension or closure of InPlay Oil's operations or the imposition of other penalties against InPlay Oil.

Changes in Interpretation and Enforcement of Provincial Laws and Regulations

InPlay Oil's business may be adversely impacted by changes to the interpretation and enforcement of laws related, but not limited, to land tenure, industry activity level, environmental impact, access to InPlay Oil's properties, well classification, operating standards and facility requirements. In addition, InPlay Oil's business may be adversely impacted by changes in the interpretation and enforcement of provincial royalty regimes. In Alberta, most of the production of oil, NGL and natural gas is subject to Crown lessor royalties that must be paid to the provincial government. In Alberta, the royalty reserved to the Crown in respect of oil, NGL and natural gas production is determined by a sliding scale based on a reference price, which is the greater of the price obtained by the producer, and a prescribed minimum price. However, when the reference price is below the select price (a parameter used in the royalty rate formula), the royalty rate is fixed.

Risks Associated with Climate Change Legislation

InPlay Oil's exploration and production facilities and other operations and activities emit greenhouse gases and may require InPlay Oil to comply with greenhouse gas emissions legislation in Alberta or legislation that may be enacted in other provinces or federally. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. As a signatory to the *United Nations Framework Convention on Climate Change* (the "UNFCCC") and as a participant to the Copenhagen Agreement (a non-binding agreement created by the UNFCCC), the Government of Canada announced on January 29, 2010 that it will seek a 17% reduction in greenhouse gas emissions from 2005 levels by 2020. These greenhouse gas emission reduction targets are not binding.

Effective as of January 1, 2017, the Alberta government enacted the *Climate Leadership Act*, which implements an economy-wide carbon levy of $20 per tonne and rising to $30 per tonne on January 1, 2018 on greenhouse gas emissions resulting from the combustion of fuels for heating and transportation on certain facilities and operations. British Columbia also has a $30 per tonne carbon tax. In September 2016, the Canadian Federal government announced its intention to impose a national carbon price on the provinces, requiring provinces to adopt either a carbon price or a cap-and-trade approach to meet a federally established minimum price. Some of InPlay Oil's significant facilities may be subject to additional future regional, provincial and/or federal climate change regulations to manage greenhouse gas emissions. The direct or indirect costs of compliance with these regulations may have a material adverse effect on the business, financial condition, results of operations and prospects of InPlay Oil. Any such regulations could also increase the cost of consumption, and thereby reduce demand for the oil, NGL and natural gas InPlay Oil produces. Given the evolving nature of the debate related to climate change and the control of greenhouse gas and resulting requirements, it is difficult to predict the impact on InPlay Oil and their operations and financial condition.

In addition, there has been public discussion that climate change may be associated with extreme weather conditions such as more intense hurricanes, thunderstorms, tornado's and snow or ice storms, as well as rising sea levels. Another possible consequence of climate change is increased volatility in seasonal temperatures. Some studies indicate that climate change could cause some areas to experience temperatures substantially colder than their historical averages. Extreme weather conditions can interfere with InPlay Oil's production and increase InPlay Oil's costs, and damage resulting from extreme weather may not be insured. However, at this time, InPlay Oil is unable to determine the extent to which climate change may lead to increased storm or weather hazards affecting their operations.

Lower Oil and Gas Prices Increase the Risk of Write-Downs

Under International Financial Reporting Standards, when indicators of impairment exist, the carrying value of the Exploration and Evaluation ("E&E") assets as well as each Cash Generating Unit ("CGU"), including goodwill attributed to the CGU, is compared to its recoverable amount. The recoverable amount is defined as the higher of the fair value less cost to sell or value in use. A decline in oil and gas prices may be an indicator of CGU impairment and may result in the estimated recoverable amount of InPlay Oil's developed oil and natural gas properties being less than its carrying value on the balance sheet, resulting in a write-down of the CGU assets. While these write-downs would not affect cash flow from operations, the charge to earnings may be viewed unfavourably in the market. Impairments to goodwill and E&E assets are not reversed, however should the conditions that caused the CGU asset impairment reverse in the future InPlay Oil would be required to reverse all, or a portion of, the impairment previously recorded.

Uncertainties in the Assessment of Reservoir and Infrastructure Characteristics of Oil and Natural Gas Properties

Acquiring oil and natural gas properties requires InPlay Oil to assess reservoir and infrastructure characteristics, including recoverable reserves, development and operating costs and potential environmental and other liabilities. Such assessments are inexact and inherently uncertain. In connection with the assessments, InPlay Oil performs a review of the subject properties, but such a review will not reveal all existing or potential problems nor will it permit InPlay Oil to become sufficiently familiar with the properties to assess fully their deficiencies. In the course of their due diligence, InPlay Oil may not inspect every well or pipeline. InPlay Oil cannot necessarily observe structural and environmental problems, such as pipe corrosion, when an inspection is made. Even if problems are identified, InPlay Oil may not be able to obtain contractual indemnities from the seller for liabilities created prior to InPlay Oil's purchase of the property. InPlay Oil may be required to assume the risk of the physical condition of the properties in addition to the risk that the properties may not perform in accordance with their expectations.

Uncertainties Associated with Seismic Data

Even when properly used and interpreted, 2D and 3D seismic data and visualization techniques are only tools used to assist geoscientists in identifying subsurface structures and hydrocarbon indicators and do not enable the interpreter to know whether hydrocarbons are, in fact, present in those structures. In addition, the use of 3D seismic and other advanced technologies requires greater predrilling investments than traditional drilling strategies, and InPlay Oil could incur losses as a result of such investments. As a result, InPlay Oil's drilling activities may not be successful or economical.

Unforeseen Title Defects

InPlay Oil conducts title reviews in certain circumstances in accordance with industry practice prior to purchases of assets. However, if conducted, these reviews do not guarantee that an unforeseen defect in the chain of title will not arise and defeat InPlay Oil's title to the purchased assets. If this type of defect were to occur, InPlay Oil's entitlement to the production and reserves (and, if applicable, resources) from the purchased assets could be jeopardized. Furthermore, from time to time, InPlay Oil may have disputes with industry partners as to ownership rights of certain properties or resources, including with respect to the validity of oil and gas leases held by InPlay Oil. Furthermore, from time to time, InPlay Oil or their industry partners may owe one another a contractual or trust related obligation, including offset obligations, which they may default in satisfying and which may adversely affect the validity of an oil and gas lease in which InPlay Oil has an interest. The existence of title defects, unsatisfied contractual or trust related obligations, including offset obligations, or the resolution of any disputes with industry partners arising from same, may have a material adverse effect on InPlay Oil or its assets and operations and as a result adversely affect the value of the InPlay Oil's common shares and consequently, SRHI's common shares.

Reliance on Surface and Groundwater Licenses

InPlay Oil relies on surface and groundwater, which is obtained under government licenses, to provide the substantial quantities of water required for certain of their operations. There can be no assurance that the licenses to withdraw water will not be rescinded or that additional conditions will not be added to these licenses. Further, there can be no assurance that InPlay Oil will not have to pay a fee for the use of water in the future or that any such fees will be reasonable. Finally, new projects or the expansion of existing projects may be dependent on securing licenses for additional water withdrawal, and there can be no assurance that these licenses will be granted on terms favourable to InPlay Oil, or at all, or that such additional water will in fact be available to divert under such licenses.

The Oil and Natural Gas Industry is Cyclical

The oil and natural gas industry is cyclical, which can result in shortages of drilling rigs, equipment, raw materials (particularly sand and other proppants), supplies and qualified personnel. When shortages occur, the costs and delivery times of rigs, equipment and supplies increase and the demand for, and wage rates of, qualified drilling rig crews also rise with increases in demand. In accordance with customary industry practice, InPlay Oil relies on independent third-party service providers to provide most of the services necessary to drill new wells. If InPlay Oil is unable to secure a sufficient number of drilling rigs at reasonable cost, their financial condition and results of operations could suffer, and InPlay Oil may not be able to drill all

of their acreage before their leases expire. Shortages of drilling rigs, equipment, raw materials (particularly sand and other proppants), supplies, personnel, trucking services, tubulars, fracking and completion services and production equipment could delay or restrict InPlay Oil's exploration and development operations, which in turn could impair InPlay Oil's financial condition and results of operations.

Fluctuations in Foreign Currency Exchange Rates

The price that InPlay Oil receives for a majority of their oil and natural gas is based on United States dollar denominated benchmarks, and therefore the price that InPlay Oil with operations in Canada receive in Canadian dollars is affected by the exchange rate between the two currencies. A material increase in the value of the Canadian dollar relative to the United States dollar will negatively impact InPlay Oil's net Canadian production revenue by decreasing the Canadian dollars InPlay Oil receives for a given sale in United States dollars while offering limited relief to InPlay Oil's cost structures, to the extent their costs are incurred in Canadian dollars.

Counterparty Risk

InPlay Oil is subject to the risk that the counterparties to their risk management contracts, marketing arrangements and operating agreements and other suppliers of products and services may default on their obligations under such agreements or arrangements, including as a result of liquidity requirements or insolvency. Furthermore, low oil and natural gas prices increase the risk of bad debts related to InPlay Oil's industry partners. A failure by such counterparties to make payments or perform their operational or other obligations to InPlay Oil may adversely affect InPlay Oil's results of operations, cash flows and financial position.

A Decline in the Ability to Market Oil and Natural Gas Production

InPlay Oil's business depends in part upon the availability, proximity and capacity of oil and natural gas gathering systems, pipelines and processing facilities to provide access to markets for their production. In general, InPlay Oil does not control these transportation facilities and InPlay Oil's access to them may be limited or denied. These transportation facilities may also fail or may not perform as predicted. A significant disruption in the availability of these transportation facilities or compression and other production facilities could adversely impact InPlay Oil's ability to deliver to market or produce their oil, NGL and natural gas and thereby result in InPlay Oil's inability to realize the full economic potential of their production. If, in the future, InPlay Oil is unable, for any sustained period, to implement acceptable delivery or transportation arrangements or encounter compression or other production related difficulties, InPlay Oil will be required to shut in or curtail production from the field. Any such shut in or curtailment, or an inability to obtain favourable terms for delivery of the oil, NGL and natural gas produced from the field, would adversely affect InPlay Oil's financial condition and results of operations. Canadian federal and provincial regulation of oil and gas production, processing and transportation, tax and energy policies, general economic conditions, and changes in supply and demand could adversely affect InPlay Oil's ability to produce and market oil and natural gas.

While the third party pipelines generally expand capacity to meet market needs, there can be differences in timing between the growth of production and the growth of pipeline capacity, and unfavourable economic conditions or financing terms may defer or prevent the completion of certain pipeline projects or gathering systems that are planned for such areas. There are also occasionally operational reasons, including as a result of maintenance activities, for curtailing transportation capacity. Accordingly, there can be periods where transportation capacity is insufficient to accommodate all of the production from a given region, causing added expense and/or volume curtailments for all shippers. In such event, InPlay Oil may have to defer development of or shut in its wells awaiting a pipeline connection or capacity and/or sell its production at lower prices than it would otherwise realize or than InPlay Oil currently project, which would adversely affect InPlay Oil's results of and cash flow from operations.

Due to the current shortage of pipeline capacity, Canadian oil and gas producers have turned to shipping crude oil by rail as an alternative. However, as the amount of crude oil shipped by rail has increased, regulatory and safety developments have occurred which will have unclear consequences for the cost and availability of crude oil rail shipments moving forward. Following major accidents in Lac-Megantic, Québec and North Dakota, the Transportation Safety Board of Canada and the U.S. National Transportation Board issued recommendations to Transport Canada, the responsible Canadian federal ministry, to improve the safe transportation of crude oil by rail. In response, the federal Transport Minister announced an order removing approximately 5,000 DOT-111 tanker rail cars from Canadian railways within a short period of time, with another 65,000 DOT-111 tanker rail cars to be removed or retrofitted within three years, and plans to establish speed limits of 50 miles-per-hour or less for trains carrying 20 cars or more of crude oil or ethanol in areas that are built up or near drinking water. The increased regulation of rail transportation may reduce the ability of railway lines to alleviate pipeline capacity issues and add additional costs to the transportation of crude oil by rail.

InPlay Oil's Activities are Affected by Seasonality

The level of activity in the Canadian oil and natural gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and natural gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. There can be no assurance that these seasonal factors will not adversely affect the timing and scope of InPlay Oil's exploration and development activities, which could in turn have a material adverse impact on InPlay Oil's business, operations and prospects.

Exposure to Project Risks

InPlay Oil manages a variety of small and large projects in the conduct of their business. Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic.

InPlay Oil's ability to execute projects and market oil, NGL and natural gas will depend upon numerous factors beyond their control, including:

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;
- the supply of and demand for oil, NGL and natural gas;
- the availability of alternative fuel sources;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- changes in regulations;
- the availability and productivity of skilled labour; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, InPlay Oil may be unable to execute projects on time, on budget or at all, and may not be able to profitably market the oil, NGL and natural gas that it produces.

Inability to Compete Successfully with other Organizations in the Oil and Natural Gas Industry

The oil and natural gas industry is highly competitive. InPlay Oil competes for capital, acquisitions of reserves, undeveloped lands, skilled personnel, access to drilling rigs, service rigs and other equipment, access to processing facilities, pipeline and refining capacity and in many other respects with a substantial number of other organizations, many of which may have greater technical and financial resources than InPlay Oil. Some of these organizations not only explore for, develop and produce oil and natural gas but also conduct refining operations and market oil and other products on a world-wide basis. As a result of these complementary activities, some competitors may have greater and more diverse competitive resources to draw upon.

Challenges by First Nations

Certain First Nations people may have Aboriginal rights in relation to InPlay Oil's permit and lease lands in Alberta and other lands that are potentially affected by InPlay Oil's activities. First Nations' rights are also affected by the federal and provincial regulatory framework and practices governing Aboriginal rights. The Governments of Canada and Alberta have a duty to consult with those First Nations people in relation to actions and decisions which may impact those rights and claims and, in certain cases, have a duty to accommodate their concerns. These duties have the potential to adversely affect InPlay Oil's ability to obtain permits, leases, licenses and other approvals, or to meet the terms and conditions of those approvals. Opposition by First Nations people may also negatively impact InPlay Oil in terms of public perception, diversion of management time and resources, legal and other advisory expenses, potential blockades or other interference by third parties in InPlay Oil's operations, or court-ordered relief impacting InPlay Oil's operations. Any challenges by First Nations people could adversely impact InPlay Oil's progress and ability to explore and develop their properties.

Risks Associated with Provincial Liability Management Programs

The Alberta government has developed liability management programs designed to prevent taxpayers from incurring costs associated with suspension, abandonment, remediation and reclamation of wells, facilities and pipelines in the event that a licensee or permit holder becomes defunct. The program generally involves an assessment of the ratio of a licensee's deemed assets to deemed liabilities. If a licensee's deemed liabilities exceed their deemed assets, a security deposit is required. Although InPlay Oil does not have to post security under the existing programs, changes to the ratio of InPlay Oil's deemed assets to deemed liabilities or changes to the requirements of liability management programs may result in the requirement for security to be posted in the future.

Risks Associated with Wildlife Protection Restrictions

Oil and natural gas operations in InPlay Oil's operating areas can be adversely affected by seasonal or permanent restrictions on drilling activities designed to protect various wildlife. Seasonal restrictions may limit InPlay Oil's ability to operate in protected areas and can intensify competition for drilling rigs, oilfield equipment, services, supplies and qualified personnel, which may lead to periodic shortages when drilling is allowed. These constraints and the resulting shortages or high costs could delay InPlay Oil's operations and materially increase InPlay Oil's operating and capital costs. Permanent restrictions imposed to protect endangered species could prohibit drilling in certain areas or require the implementation of expensive mitigation measures. The designation of previously unprotected species in areas where InPlay Oil operates as threatened or endangered could cause InPlay Oil to incur increased costs arising from species protection measures or could result in limitations on InPlay Oil's exploration and production activities that could have an adverse impact on InPlay Oil's ability to develop and produce their reserves.

Risks Associated with Production of Hydrogen Sulfide

A significant portion of the natural gas produced in Alberta originates as Hydrogen Sulfide ("Sour Gas"). If a well encounters a high concentration of Sour Gas it may have to be shut in due to the lack of existing Sour Gas handling infrastructure. Sour Gas leaks or other exposure to Sour Gas produced from InPlay Oil's properties may result in damage to equipment, liability to third parties, adverse effects to humans, animals or the environment, or the shutdown of operations. Special equipment and operating procedures are deployed by the industry for the production of Sour Gas.

Expiration of Undeveloped Leasehold Acreage

InPlay Oil holds natural gas licenses and leases in Alberta under Crown license or lease. Under the terms of the Crown licenses and leases which govern these properties, unless InPlay Oil establishes commercial production on the properties subject to these leases during their term, these licenses and leases will expire. There can be no assurance that any of the obligations required to maintain each lease will be met. Continuations of expiring non-producing licenses and leases are reviewed by the Alberta Department of Energy ("DOE"), on a case by case basis. A continuation of an operated license or lease is generally applied for if technical data demonstrates the possibility of a productive license or lease in the near-term. If InPlay Oil licenses and leases expire and InPlay Oil cannot obtain a lease continuation from the DOE, InPlay Oil would lose their right to develop the related properties unless it subsequently nominates and successful repurchases the impacted licenses and leases from the Alberta Government.

Inability to Dispose of Non-Strategic Assets on Attractive Terms

InPlay Oil's ability to dispose of non-strategic assets, such as acreage that they do not intend to place on their drilling schedule prior to lease expirations, could be affected by various factors, including the availability of purchasers willing to purchase the non-strategic assets at prices acceptable to InPlay Oil. Sellers typically retain certain liabilities or agree to indemnify buyers for certain matters. The magnitude of such retained liability or indemnification obligations may be difficult to quantify at the time of the transaction and ultimately may be material. Also, as is typical in divestiture transactions, third parties may be unwilling to release InPlay Oil from guarantees or other credit support provided prior to the sale of the divested assets. As a result, after a sale, InPlay Oil may remain secondarily liable for the obligations guaranteed or supported to the extent that the buyer of the assets fails to perform these obligations.

Risks Associated with New Drilling Techniques

InPlay Oil's operations involve utilizing the latest drilling and completion techniques as developed by InPlay Oil and their service providers. Risks that InPlay Oil faces while drilling include, but are not limited to, landing their well bore in the desired drilling zone, staying in the desired drilling zone while drilling horizontally through the formation, running their casing the entire length of the well bore and being able to run tools and other equipment consistently through the horizontal well bore. Risks that InPlay Oil faces while completing their wells include, but are not limited to, being able to fracture stimulate the planned number of stages, being able to run tools the entire length of the well bore during completion operations and successfully cleaning out the well bore after completion of the final fracture stimulation stage. The results of InPlay Oil's drilling in new or emerging formations are more uncertain initially than drilling results in areas that are more developed and have a longer history of established production.

Newer or emerging formations and areas have limited or no production history and consequently InPlay Oil is less able to predict future drilling results in these areas. Ultimately, the success of these drilling and completion techniques can only be evaluated over time as more wells are drilled and production profiles are established over a sufficiently long time period. If InPlay Oil's drilling results are poorer than anticipated or InPlay Oil is unable to execute their drilling program because of capital constraints, lease expirations, access to gathering systems, and/or natural gas and oil prices decline, the return on InPlay Oil's investments in these areas may not be as attractive as they anticipate. Further, as a result of any of these developments InPlay Oil could incur material write-downs of their oil and natural gas properties and the value of InPlay Oil's undeveloped acreage could decline in the future.

Risks Associated with Negative Public Perception of the Oil Industry

Oil and natural gas development and transportation, hydraulic fracturing and fossil fuels have figured prominently in recent political, media and activist commentary on the subject of climate change, greenhouse gas emissions, water usage and environmental damage. InPlay Oil's corporate reputation may be negatively affected by the negative public perception and public protests against oil and natural gas development and transportation and hydraulic fracturing.

Risks associated with information systems

InPlay Oil depends on a variety of information technology infrastructure to operate effectively. A failure or sabotage of certain critical information systems could result in operational difficulties, damage or loss of data, productivity losses or in the unauthorized acquisition of knowledge and/or use of information. The increasing risk of information security breaches requires InPlay Oil to continually improve their ability to detect and prevent such occurrences. Disruption of critical information technology infrastructure or breaches of information security could have a negative effect on operational performance and earnings as well as a company's reputation and could result in legal claims or proceedings or regulatory penalties.

Potential for the loss of key personnel

InPlay Oil often relies on key personnel for the development of projects and for general operations. The experience, knowledge and contributions of key personnel, which may include existing management teams and directors, to the immediate and near term operations and direction of InPlay Oil is likely to continue to be of critical importance. The loss of services from or retirement of key personnel could have a material adverse effect

on InPlay Oil. Despite the economic downtown and a rise in unemployment rates in the oil and gas industry in Alberta, there is a risk that InPlay Oil will be unable to recruit new staff without a dilution of talent, to train, develop and retain high quality and experienced staff without unacceptable high attrition, and to satisfy an employee's work/life balance and desire for competitive compensation.

Risks associated with disclosure controls and internal controls over financial reporting

Based on the their inherent limitations, disclosure controls and procedures and internal controls over financial reporting may not prevent or detect misstatements, and even those controls determined to be effective can provide only reasonable assurance with respect to financial statements and presentation. Failure to adequately prevent, detect and correct misstatements could have a material adverse effect on InPlay Oil.

Risks Relating to the Mining Sector

SRHI has investments in the mining sector through its investment in Corsa Coal and the Lac Otelnuk Iron Project. The Company encourages you to consult Corsa Coal's public disclosure record for information on risk factors affecting their business, including the factors described in Corsa Coal's management's discussion and analysis of the fiscal year ended December 31, 2015 (available under Corsa Coal's profile on SEDAR at www.sedar.com), which risk factors (the "2015 Corsa Coal Risk Factors") are incorporated by reference into this MD&A and an extract of which risk factors have been filed under the Company's profile on SEDAR at www.sedar.com. The 2015 Corsa Coal Risk Factors shall be automatically deemed to no longer be incorporated by reference into this MD&A upon the filing, under the Company's profile on SEDAR at www.sedar.com, of a document containing an extract of the risk factors from Corsa Coal's management's discussion and analysis of the fiscal year ended December 31, 2016 (to be available under Corsa Coal's profile on SEDAR at www.sedar.com) or such other applicable document, at which time such risk factors from Corsa Coal's management's discussion and analysis of the fiscal year ended December 31, 2016 or such other applicable document will be deemed to be incorporated by reference into this MD&A.

Production

A mining company's revenues depend on its level of mining production and the sales price for the minerals it has mined. Production targets include the company's current operating mines and those that are in the permitting stage, under development or under option. As the estimation of resources and reserves is speculative in nature, there can be no certainty that the resources in the current properties of mining companies will be upgraded to reserves. As a result, mining companies may not achieve their production projections. Mining companies may then need to lease and/or option additional properties which may take time and may be subject to the same uncertainties inherent in mining. In addition, production levels are no guarantee that mining companies will be able to obtain sales contracts or orders for the minerals that they produce and as a result sales may be below their production capabilities and mining companies may reduce actual production to reflect actual customer demand and sales orders received. Also, there is no guarantee as to the price for mineral sales.

Resource Exploration, Development and Production Risks

Mining companies are engaged in the business of exploring, acquiring and developing resource properties. Resource exploration is speculative in nature and there can be no assurance that any minerals discovered or acquired will result in an increase in a mining company's resource base. Such exploration and development as well as acquisitions involves a high degree of financial and other risks over a significant period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. Substantial expenses will be required to expand a mining company's resource base and to design and construct mining and processing facilities. Whether a resource deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit (i.e. mineral quality, size, access and proximity to infrastructure), financing costs, the cyclical nature of commodity prices and government regulations (including those relating to environmental protection).

A future increase in a mining company's mineral reserves will depend on its ability to select and acquire suitable properties. No assurance can be given that any mining company will be able to locate or acquire control over satisfactory properties for acquisition that will be economically viable in the current market.

Mineral Resources and Mineral Reserves

To achieve its projected level of production, a significant portion of a mining company's mineral resources may need to be upgraded to mineral reserves. Such upgrade in classification may require additional data and establishing the economic feasibility of mineralization currently classified as resources. There can be no assurance that a mining company will be able to successfully upgrade its mineral resources to mineral reserves.

Estimating mineral reserves and mineral resources involves a determination of economic recovery of minerals that are in the ground, which in turn requires that assumptions be made regarding its future price and the cost of recovery. There are numerous uncertainties inherent in estimating the quantities and qualities of, and costs to mine, recoverable reserves, including many factors beyond a mining company's control. Such factors include: improvements to mining technology; changes to government regulation; geologic and mining conditions, which may not be fully identified by available exploration data or may differ from a mining company's experience in current operations; historical production from the area compared with production from other producing areas; future resource prices; operating costs; capital expenditures; taxes; royalties and development and reclamation costs; preparation plant recovery levels and mine recovery levels; all of which may vary considerably from actual results.

A mining company's actual production experience may require the revision of production estimates because actual mineral tonnage recovered from an identified mineral reserve or property may vary materially from estimates. Mineral reserves disclosed by a mining company should not be interpreted

as assurance of mine life or of the profitability of current or future operations. In addition, revenues and expenditures with respect to a mining company's reserves may vary materially from estimates. The estimates of mineral reserves may not accurately reflect a mining company's actual mineral reserves and may need to be restated in the future. Any inaccuracy in a mining company's estimates could result in lower than expected revenues or higher than expected costs. A mining company's recoverable mineral reserves will decline as a result of production over time, and a mining company may not be able to mine all of its mineral reserves. Its future success may depend on conducting successful exploration and development activities or acquiring properties containing economically recoverable mineral reserves. There can be no assurance that a mining company will succeed in developing additional mines in the future.

Permitting Matters

Many mining companies must obtain numerous permits, licenses and approvals that strictly regulate access, environmental and health and safety and other matters in connection with resource mining. Permitting rules are complex and may change over time, which may make securing additional permits or modification to existing permits and compliance difficult.

Regulatory agencies have considerable discretion in whether or not to issue permits or grant consents and they may choose not to issue permits or grant consents to a mining company or renew existing permits, licenses or consents as they come due. There can be no assurance that a mining company will be able to acquire, maintain, amend or renew all necessary licences, permits, mining rights or surface rights for its anticipated exploration and development. If a mining company is to be granted a permit, it may be some time before those new permits are issued. Accordingly, new permits, licenses and approvals required by a mining company to operate the mines may not be issued at all, or if issued, may not be issued in a timely fashion, or may contain requirements which restrict its ability to conduct its mining operations or subject it to additional constraints or costs.

Government Regulation

Government authorities regulate the mining industry to a significant degree, in connection with, among other things, exploration and development activities, employee health and safety, labour standards, air quality standards, toxic substances, water pollution, groundwater quality and availability, plant and wildlife protection, the reclamation and restoration of mining properties and the discharge of materials into the environment. Mining companies are subject to extensive laws and regulations controlling not only the mining of and exploration of mineral properties, but also the possible effects of such activities upon the environment. For example, government regulatory agencies may order certain mines to be closed temporarily or permanently. Future legislation and regulations or amendments could cause additional expense, capital expenditures, reclamation obligations, revocation of licenses, restrictions and delays in the development of a mining company's properties, the extent of which cannot be predicted. Government regulations including regulations relating to the environment, prices, taxes, royalties, land tenure, land use and importing and exporting of minerals also impact on the marketability of the minerals owned by mining companies.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions against mining companies, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Operating Risks

Mining operations are and will continue to be subject to operating risks that could result in decreased mineral production. Such operating risks may increase a mining company's cost of mining and delay or halt production at particular mines, either permanently or for varying lengths of time. These conditions and events include but are not limited to:

- the lack of availability of qualified labour;
- inability to acquire, maintain, amend or renew necessary permits or mining or surface rights in a timely manner, if at all;
- failure of resource and reserve estimates to prove correct;
- interruptions due to transportation delays or unavailability;
- changes in governmental regulation of the mineral industry, including the imposition of additional taxes, fees or actions to suspend or revoke its permits or changes in the manner of enforcement of existing regulations;
- limited availability of mining and processing equipment and parts from suppliers;
- the lack of availability of the necessary equipment of the type and size required to meet production expectations;
- mining and processing equipment failures and unexpected maintenance problems;
- unfavourable changes or variations in geologic conditions, such as the quality of mineral deposits, irregularity in mineral seams and the amount of rock embedded in or overlying the mineral deposit and other conditions that can make underground or open pit mining difficult or impossible;
- severe and adverse weather and natural disasters, such as heavy rains and flooding;
- increased or unexpected reclamation costs;
- unfavourable fluctuations in the cost or availability of necessary commodities or commodities-based products such as diesel fuel, lubricants, explosives, electric cables and steel;
- unexpected mine safety accidents, including fires and explosions from methane; and

- failure of the mineral mined to meet expected quality specifications.

These conditions and events may increase a mining company's cost of mining and delay or halt production at particular mines either permanently or for varying lengths of time. A mining company's planned exploration and development projects and acquisition activities may not result in the acquisition of significant additional mineral deposits and a mining company may not have continuing success developing its current or additional mines.

Mining Operations

Mining operations generally involve a high degree of risk. A mining company's operations will be subject to all of the hazards and risks normally encountered in resource exploration, development and exploitation that are beyond the control of a mining company. Such risks include pit wall slides, pit flooding, unusual and unexpected geological formations, seismic activity, rock bursts, ground failure and other conditions involved in the drilling or cutting and removal of material, environmental hazards, industrial accidents, periodic interruptions due to adverse weather conditions, labour disputes, political unrest, threats of war, terrorist threats and theft of production. The occurrence of any of the foregoing could result in damage to, or destruction of, resource properties or interests, production facilities, personal injury, damage to life or property, environmental damage, delays or interruption of operations, increases in costs, monetary losses, legal liability and adverse government action. Although the mining company maintains liability insurance in an amount that it considers consistent with industry practice, liabilities could exceed policy limits resulting in the mining company incurring significant costs. The potential costs associated with liabilities not covered by insurance or excess insurance coverage may cause substantial delays and require significant capital outlays.

The climatic conditions of a mining company's activities will have an impact on operations and, in particular, severe weather such as heavy precipitation and flooding could disrupt the delivery of supplies, equipment and fuel. Exploration and mining activity levels could fluctuate. Unscheduled interruptions in a mining company's operations due to mechanical or other failures or industrial relations related issues or problems or issues with the supply of goods or services could have a serious impact on the performance of those operations. Other operating risks include unfavourable changes or variations in geological conditions such as the thickness of the mineral deposits and the amount of rock embedded in or overlying the mineral deposit and other conditions that can make underground mining difficult or impossible; mining and processing equipment failures and unexpected maintenance problems; increased water entering mining areas and increased or accidental mine water discharges; unfavourable fluctuations in commodities-based products such as diesel fuel, reagents for processing, lubricants, electric cables, rubber, explosives, steel, copper, and other raw materials; and unexpected mine safety accidents, including fires and explosions from methane. There can be no assurance that a mining company will be able to manage effectively the expansion of its operations or that its current personnel, systems, procedures and controls will be adequate to support operations.

Fatality or Severe Injury to Employees or Contractors

The business of mining is inherently risky. During construction of the mine or during mining operations, employees and contractors may be subject to risks and hazards, including environmental hazards, industrial accidents, human error, weather events, light vehicle incidents or other events. The occurrence of any of the foregoing could result in personal injury, permanent disabilities or fatalities to one or more employees or contractors. These incidents could lead to investigation delays, criminal or civil proceedings, investigation costs, monetary damages and reputation damage to the mining company

Uninsured Risks

The mining company may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs. Furthermore, the mining company may incur liability to third parties (in excess of any insurance coverage) arising from negative environmental impacts or any other damage or injury

Mineral Transportation and Costs

Mineral producers depend upon rail, barge, trucking, overland conveyor and other systems to deliver minerals to customers and transportation costs are a significant component of the total cost of supplying minerals. While mineral customers typically arrange and pay for transportation of minerals from the mine to the point of use, disruption of these transportation services because of weather-related problems, insurgency, strikes, lock-outs, transportation delays, excessive demand for their services or other events could temporarily impair a mining company's ability to supply minerals to customers and thus could adversely affect a mining company's revenue and results of operations.

Disruption in capacity of, or increased costs of, transportation services could make minerals less desirable, and could make a mining company's minerals less competitive than other sources of that mineral. In addition, increases in the cost of fuel, or changes in other costs relative to transportation costs for minerals produced by competitors, could adversely affect a mining company's operations. To the extent such increases are sustained, a mining company could experience losses and may decide to discontinue certain operations forcing a mining company to incur closure or care and maintenance costs, as the case may be.

Dependence on Third Party Suppliers and Loss of Customer Base

A mining company may enter into mineral supply agreements which may require the delivery of minerals on a regular basis to its customers. If a mining company's own mining production does not reach capacity, that mining company may have to enter into mineral supply agreements with third party suppliers in order to meet its customers' demands. There can be no assurance that the third parties will, from time to time, be able to

supply the requisite quantities of minerals on the schedule negotiated with a mining company. Such third party suppliers may be subject to the same risks relating to engineering, weather, labour, materials and equipment as a mining company.

Changes in purchasing patterns in the mineral industry may make it difficult for a mining company to enter into long term supply agreements with new customers. The execution of a satisfactory mineral supply agreement may be the basis on which a mining company will undertake the development of mineral reserves required to be supplied under the agreement. When a mining company's current agreements with customers expire or are otherwise renegotiated, a mining company's customers may decide to purchase fewer amounts of minerals than in the past or on different terms, including pricing terms less favourable to a mining company, or may choose to purchase from other suppliers. Mineral contracts may also contain force majeure provisions which may allow for the temporary suspension of performance by a mining company or its customers during the duration of specified events beyond the control of the affected party.

Quality Specifications for Coal

Most of the mining company’s coal supply agreements will contain provisions requiring the delivery of coal meeting quality specifications for certain characteristics such as BTU, sulfur content, ash content, hardness, ash fusion temperature, FSI, volatile matter and reflectance and other matters such as phosphorous. Failure to meet these specifications could result in economic penalties, including price adjustments, the rejection of deliveries or, in the extreme, termination of the contracts.

Title to Assets

A mining company may lease or option mineral rights in order to conduct a number of its mining operations. If defects in title or boundaries are found to exist after a mining company commences mining, its right to mine may be limited or prohibited. No assurance can be given that there are no title defects affecting a mining company's properties or those which it proposes to acquire or those upon which it has operations. The mineral or operations properties may be subject to prior unregistered liens, agreements or transfers or other undetected title defects. There can be no assurance that title to a mining company's mineral properties or those on which it has operations will not be challenged or impugned or defeated by a holder of superior title or registered liens or adverse claims. Third parties may have valid claims underlying portions of a mining company's interests and the permits or tenures may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. If a title defect exists, it is possible that a mining company may lose all or part of its interest in the properties to which such defects relate. If there are title defects with respect to any properties, a mining company might be required to compensate other persons or perhaps reduce its interest in the property. Also, in any such case, the investigation and resolution of title issues may divert a mining company's management's time from on-going exploration and development programs.

Acquisition Risks

The mining company’s future success may depend upon it conducting successful exploration and development activities and acquiring properties containing additional economic coal reserves. The mining company may also be required to generate capital, either through its operations or through outside financing, to mine these additional reserves. The mining company may increase its coal reserve base through acquisitions of other mineral rights, leases, or producing properties or continuing to use its existing leased properties.
Acquisitions involve a number of inherent risks, any of which could cause the mining company to not realize the anticipated benefits. The mining company may be unable to successfully integrate the companies, businesses or properties it acquires. Acquisition transactions involve various inherent risks, including:

- uncertainties in assessing the value, strengths, and potential profitability of, and identifying the extent of all weaknesses, risks, contingent and other liabilities (including environmental or mine safety liabilities) of, acquisition candidates;
- the potential loss of key customers, management and employees of an acquired business;
- the ability to achieve identified operating and financial synergies anticipated to result from an acquisition;
- problems that could arise from the integration of the acquired business; and
- unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the mining company’s rationale for pursuing the acquisition. Any one or more of these factors could cause the mining company not to realize the benefits anticipated to result from an acquisition.

Any acquisition opportunities SRHI may pursue could materially affect its liquidity and capital resources and may require SRHI to incur indebtedness, seek equity capital or both. In addition, future acquisitions could result in SRHI assuming more long-term liabilities relative to the value of the acquired assets.

Surety Bonds

The law and regulations in certain jurisdictions may require mining companies to obtain surety bonds or letters of credit to secure payment of certain long-term obligations such as mine closure or reclamation costs, workers' compensation costs, leases and other obligations. These bonds or letters of credit are typically renewable annually. Surety bond or letter of credit issuers and holders may not continue to renew or may demand additional collateral or other less favourable terms upon those renewals. The ability of issuers and holders to demand additional collateral or other less favourable terms has increased as the number of companies willing to issue these bonds or letters of credit has decreased over time. Failure to obtain or renew surety bonds or letters of credit on acceptable terms could affect a mining company's ability to secure reclamation and mineral lease obligations and could affect a mining company's ability to mine or lease mineral properties. That failure could result from a variety of factors, including, without limitation: (i) lack of availability, higher expense or unfavourable market terms of new bonds or letters of credit; (ii) restrictions on availability of

collateral for current and future third-party surety bond and letter of credit issuers under the terms of a mining company's debt instruments; and (iii) the exercise by third-party issuers of their right to refuse to renew the surety bond or letter of credit.

Additional Funding Requirements

Capital expenditures for the exploration, development, production, and acquisition of mineral reserves in the future may depend in part on funds not entirely raised by internally generated cash flow. As a result, a mining company may need external equity or debt financing and there is no assurance that it will be able to secure either kind of external financing at an economically viable cost and under reasonable conditions, if at all.

Additional equity financing could be dilutive to shareholders and could substantially decrease the trading price of a mining company's securities. A mining company may issue common shares or other equity securities in the future for a number of reasons. Additional debt financing, if secured, could involve restrictions being placed on financing and operating activities which could reduce the scope of a mining company's operations or anticipated expansion, or involve forfeiting its interest in some or all of its properties and licenses, incurring financial penalties, or reducing or terminating its operations.

Availability of Equipment and Access Restrictions

Natural resource exploration, development and exploitation activities are dependent on the availability of particular types of drilling, cutting, conveying and other excavating equipment and related supplies and equipment in the particular areas where such activities will be conducted as well as their parts in the case that maintenance is needed on such equipment. Demand for or restrictions on access to such limited equipment and supplies may affect the availability of such equipment and may delay exploration, development and exploitation activities. Future operations could be adversely affected if a mining company encounters difficulty obtaining equipment, tires and other supplies on a timely basis, or such equipment and supplies are available only at significantly increased prices.

Labour

If either the rail, truck or barge carrier or port facilities upon which a mining company is dependent to deliver minerals to its customers are or become unionized, there is potential for strikes, lockouts or other work stoppages or slow-downs involving the unionized employees of its key service suppliers which could have a material adverse effect on a mining company. There may be competition for qualified personnel in the various jurisdictions in which mining and operations take place and there can be no assurance that a mining company will be able to continue to attract and retain all personnel necessary for the development and operations of its business. Mining is a labour-intensive industry. From time to time, a mining company may encounter a shortage of experienced mine workers. In addition, the employees of a mining company may be unionized or choose to unionize, which may disrupt operations on account of contract negotiations, grievances, arbitrations, strikes, lockouts or other work stoppages or actions. As a result, a mining company may be forced to substantially increase labour costs to remain competitive in terms of attracting and retaining skilled labourers. Furthermore, it is possible that a decreased supply of skilled labour may cause a delay in a mining company's operations and negatively affect its ability to expand production.

Equipment Breakdown

Breakdowns of equipment, difficulties or delays in obtaining replacement shovels and other equipment, natural disasters, industrial accidents or other causes could temporarily disrupt a mining company's operations, which in turn may also materially and adversely affect its business, prospects, financial condition and results of operations.

Competition

The resource exploration and mining business is competitive in all of its phases. Competitive factors in the distribution and marketing of minerals include price and methods and reliability of delivery. A mining company will compete with numerous other companies and individuals, including competitors with greater financial, technical and other resources, in the search for and the acquisition of attractive resource properties. The principal factors that determine the price for which a mining company's minerals can be sold are demand, competition, mineral quality, efficiency in extracting and transporting minerals, and proximity to customers. Increases in transportation costs could make a mining company's minerals less competitive or could make some of a mining company's operations less competitive than other sources of minerals. An oversupply of any particular mineral will also likely adversely affect the price of that mineral on the market. There can be no assurance that a mining company will be able to compete successfully with other mineral producers and suppliers and its failure to compete effectively could adversely affect its operations and performance.

In recent years, the competitive environment for minerals was impacted by sustained growth in a number of the largest markets in the world, including the United States, China, Japan and India, where demand for both electricity and steel have supported pricing for steam, iron ore and metallurgical coal. With respect to the Company's interest in the coal market through its investment in Corsa Coal, in the most recent year, there has been a significant weakening in the market for coal, and in particular metallurgical coal, and a corresponding drop in demand and prices. The economic stability of these markets has a significant effect on the demand for coal and the level of competition in supplying these markets. The cost of ocean transportation and the value of the U.S. dollar in relation to foreign currencies significantly impact the relative attractiveness of the Corsa Coal's coal as it competes on price with other foreign coal producing sources. During the last several years, the U.S. coal industry has experienced increased consolidation, which has contributed to the industry becoming more competitive. Increased competition by competing coal producers or producers of alternate fuels in the markets in which the mining company serves could cause a decrease in demand and/or pricing for the mining company's coal.

Foreign Currency Risk

Certain mining companies report their financial results in a foreign currency; however, they may incur certain costs and expenses in Canadian dollars or a different currency. As a result a mining company's operating results and cash flows could be negatively affected by currency exchange rates between the Canadian dollar and another currency.

In addition, a mining company may compete in international markets against minerals produced in other countries. Many minerals are generally sold internationally in U.S. dollars. As a result, mining costs in competing producing countries may be reduced in U.S. dollar terms based on currency exchange rates, providing an advantage to mineral producers in other countries. Currency fluctuations among countries purchasing and selling minerals could adversely affect the competitiveness of a mining company's minerals in international markets.

Operating in Foreign Jurisdictions

A mining company may operate in a number of foreign countries where there are added risks and uncertainties due to the different economic, cultural and political environments. Some of these risks include nationalization and expropriation, social unrest and political instability, uncertainties in perfecting mineral titles, trade barriers and exchange controls and material changes in taxation. Further, developing country status or an unfavorable political climate may make it difficult for a mining company to obtain financing for projects in some countries.

Commodity Prices

Commodity prices fluctuate widely and may be affected by numerous factors beyond the control of the mining company such as the sale or purchase by various dealers, central banks and financial institutions, interest rates, exchange rates, inflation or deflation, currency exchange fluctuation, global and regional supply and demand, production and consumption patterns, speculative activities, increased production due to improved mining and production methods, government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of resources, environmental protection and international political and economic trends, conditions and events. The price of commodities has fluctuated widely in recent years, and future serious price declines could cause continued development of the mining company's properties to be impracticable. Further, reserve calculations and life-of-mine plans using significantly lower commodity prices could result in material write downs of the mining company's investment in mining properties and increased amortization, reclamation and closure charges.

In addition to adversely affecting reserve estimates and its financial condition, declining commodity prices could impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Coal Price and Volume Volatility

Coal demand and prices are determined by numerous factors beyond the control of the Company or Corsa Coal including the domestic and international demand for steel and steel products; coal consumption by the domestic utility industry; the demand for electricity; the availability of competitive coal supplies; the supply and demand for domestic and foreign coal; seasonal changes in the demand for Corsa Coal's coal; interruptions due to transportation delays; proximity to, and capacity and cost of, transportation facilities; air emission standards for coal fired power plants; inflation; political and economic conditions; global or regional political events and trends; international events and trends; international exchange rates; the cost implications to the Corsa Coal in response to regulatory changes, administrative and judicial decisions; production costs in major coal producing regions; the price and availability of alternative fuels, including the effects of technology developments; the effect of worldwide energy conservation efforts; future limitations on utilities' ability to use coal as an energy source due to the regulation and/or taxation of greenhouse gases under climate change initiatives; and various other market forces.

An increase in demand for coal could attract new investors to the coal industry, which could result in the development of new mines and increased production capacity throughout the industry. An oversupply in world markets could occur. The general downturn in the economies of Corsa Coal's significant markets occurred in 2012 and continued throughout 2013, 2014 and 2015. A significant reduction in the demand for steel products has reduced and could continue to reduce the demand for metallurgical coal. Similarly, if less expensive ingredients could be used in substitution for metallurgical coal in the integrated steel mill process, the demand for metallurgical coal would materially decrease. The combined effects of any or all of these factors on coal price or volume cannot be predicted.

Reduced coal consumption by North American electric power generators has resulted and could result in lower prices for Corsa Coal's thermal coal. The amount of coal consumed for electric power generation is affected primarily by the overall demand for electricity; the location, availability, quality and price of competing fuels for power such as natural gas, nuclear, fuel oil and alternative energy sources such as hydroelectric power; technological developments, and environmental and other governmental regulations. Weather patterns also can greatly affect electricity generation.

Extreme temperatures, both hot and cold, cause increased power usage. Mild temperatures result in lower electrical demand. Accordingly, significant changes in weather patterns could reduce the demand for Corsa Coal's thermal coal.

Corsa Coal's results of operations may also be dependent upon the prices it charges for its coal as well as its ability to improve productivity and control costs. Decreased demand would cause spot prices to decline and require an increase in productivity and lower costs in order to maintain margins. Corsa Coal may not be able to maintain its margins. Declining prices may adversely affect operating results for future periods and Corsa Coal's ability to generate cash flows necessary to improve productivity and invest in operations.

Financial Market Fluctuations

In recent years, the securities markets in Canada and elsewhere have experienced a high level of price and volume volatility, and the market prices of securities of many public companies have experienced significant fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any quoted market for Corsa Coal's securities will be subject to such market trends and that the value of such securities may be affected accordingly. The continuing credit crisis and related turmoil in the global financial markets has had and may continue to have an impact on Corsa Coal. Numerous factors, including many over which Corsa Coal has no control, may have a significant impact on the market price of its securities.

In addition, the current economic environment has reduced the availability of credit in the marketplace. Volatility and disruption of financial markets could limit Corsa Coal's customers' ability to obtain adequate financing to maintain operations and result in a decrease in sales volumes that could have a negative impact on operational results.

Raw Material Costs

Unexpected increases in raw material costs and equipment could greatly impair the Corsa Coal's operations. To the extent these materials or equipment are unavailable or only available at significantly increased prices, a mining company's performance could be significantly impacted. With respect to the coal mining operations of Corsa Coal, these use significant amounts of steel, petroleum products and other raw materials for mining equipment, supplies and materials. If the price of steel, petroleum products and other commodities such as rubber products and liquid fuels increase, Corsa Coal's operational expenses will increase.

Coal Hedging Risk

Corsa Coal may, in the future, hedge its projected future coal production by entering into customer contracts that require it to deliver coal with established pricing over a period of time. If the price of coal increases, Corsa Coal may be materially adversely affected by having hedged its future production pursuant to these contracts. Alternatively, should coal prices decrease below the levels stated in the contracts, Corsa Coal could be materially adversely affected should these contracts not be honoured.

Terrorist Attacks and Threats, Escalation of Military Activity in Response to Such Attacks or Acts of War

Corsa Coal's business will be affected by general economic conditions, fluctuations in consumer confidence and spending, and market liquidity, which may decline as a result of numerous factors outside of Corsa Coal's control, such as terrorist attacks and acts of war. Future terrorist attacks against U.S. targets, rumours or threats of war, actual conflicts involving the U.S. or its allies, or military or trade disruptions affecting customers may materially adversely affect operations. As a result, there could be delays or losses in transportation and deliveries of coal to customers, decreased sales of coal and extension of time for payment of accounts receivable from customers. Strategic targets such as energy-related assets may be at greater risk of future terrorist attacks than other targets in the U.S. In addition, such disruption may lead to significant increases in energy prices that could result in government-imposed price controls. It is possible that any, or a combination, of these occurrences could have a material impact on cash flows, results of operations or financial condition.

Foreign currency risk

Corsa Coal's foreign exchange risk arises primarily with respect to the US dollar as a result of its activities evaluating potential opportunities and the development and operation of its assets in the United States. Corsa Coal has elected not to actively manage its foreign exchange exposure at this time.

Price risk

Corsa Coal is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on Corsa Coal's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Corsa Coal closely monitors commodity prices of resources, individual equity movements, and the stock market to determine the appropriate course of action to be taken by Corsa Coal.

Litigation

Due to the nature of mining operations, it is possible for legal proceedings to arise from time to time in the course of Corsa Coal's business and operations. There is always the potential that an individual matter or the aggregation of many matters could adversely affect Corsa Coal.

Environmental Risks, Hazards and Liabilities

A mining company's operations may inadvertently substantially impact the environment or cause exposure to hazardous materials, either of which could result in material liabilities to that mining company. A mining company may be subject to claims under domestic or foreign legislation, and/or common law doctrines, for toxic torts, natural resource damages, and other damages as well as the investigation and clean-up of soil, surface water and groundwater. Such claims may arise, for example, out of current, former or future activities at sites that a mining company owns or operates, as well as at sites that a mining company or its predecessor entities owned or operated in the past, or at contaminated sites that have always been owned or operated by third parties. Mining operations can also impact flows and water quality in surface water bodies and remedial measures may be required, such as lining of stream beds, to prevent or minimize such impacts. Many of a company's mining operations may take place in the vicinity of streams,

and similar impacts could be asserted or identified at other streams in the future. A mining company's liability for such claims may be joint and several, so that it may be held responsible for more than its share of the remediation costs or other damages, or even for the entire share.

A mining company may have reclamation and mine closure obligations. It is difficult to determine the exact amounts which may be required to complete all land reclamation activities in connection with their properties. Estimates of total reclamation and mine-closure liabilities are based upon permit requirements and a mining company's experience. The amounts recorded are dependent upon a number of variables, including the estimated future retirement costs, estimated proven reserves, assumptions involving profit margins and inflation rates. If these accruals are insufficient or liability in a particular year becomes greater than may be anticipated, a mining company's operating results could be adversely affected.

Environmental Regulation

All phases of the natural resources business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and Canadian and other foreign laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emission of various substances produced in association with operations. The legislation also requires that facility sites and mines be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, and in some cases, enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed or permits revoked and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. A mining company's total compliance with the full spectrum of environmental regulation may not always be possible, and significant penalties may be incurred as a result of violations of environmental laws.

Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The environmental issues affecting a mining company's operations include permitting and reclamation requirements, air pollution laws and regulations, regulations relating to climate change, water pollution laws and regulations, hazardous waste regulation, endangered species regulations, mine safety regulations and restrictions against greenhouse gas emissions. The discharge of pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require mining companies to incur costs to remedy such discharge. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect a mining company's financial condition, results of operations or prospects. A mining company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances that may exist on or under any of its properties or that may be produced as a result of its operations.

Black Lung Laws (pneumoconiosis)

Corsa Coal is subject to regulation under U.S. federal black lung benefits laws. Under these laws, businesses that conduct current mining operations must make payments of black lung benefits to coal miners disabled with black lung disease and to certain survivors of a miner who dies from the disease. To fund these benefits, a tax is levied on coal production per ton for underground-mined and surface-mined coal to compensate miners who are totally disabled due to black lung disease and certain survivors of miners who died from the disease, who worked after 1970, but no responsible coal mine operators were identified for the claims. In addition, some claims for which coal operators had previously been responsible will be obligations of the government trust funded by the tax. The Revenue Act of 1987 extended the termination date of this tax from January 1, 1996, to January 1, 2014, or the date on which the government trust becomes solvent. The majority of benefits are paid by coal mine operators to miners and survivors through self-insurance or commercial insurance policies.

The U.S. Patient Protection and Affordable Care Act of 2010 includes significant changes to the federal black lung program. These changes include provisions, retroactive to 2005, which (1) provide an automatic survivor benefit paid upon the death of a miner with an awarded black lung claim, without requiring proof that the death was due to pneumoconiosis and (2) establish a rebuttable presumption that miners with 15 or more years of coal mine employment and proof they are totally disabled by a respiratory condition are disabled due to pneumoconiosis. These legislative changes could have a material impact on the Corsa Coal's costs expended in association with the federal black lung program.

Corsa Coal may be liable under state statutes for black lung payments and is covered through insurance policies, self-insurance or state programs. U.S. Congress and state legislatures regularly consider various items of black lung legislation, which, if enacted, could adversely affect the Corsa Coal's business, results of operations and financial position.

Land Use Regulation and Conflicting Land Uses

Land use regulation may negatively impact the ability to begin or carry out mining operations in particular locations. Zoning laws control land use and often prohibit mining entirely. New land use restrictions may be enacted in areas of current or planned mining operations by new legislation or regulation. In some jurisdictions, existing surface mining statutes may also allow citizens to file petitions deeming certain land unsuitable for surface mining for a variety of reasons. It is difficult to predict when a "lands unsuitable" petition will be filed, and even more difficult to determine in advance whether the petition will be granted.

A mining company's properties may be affected by other conflicting developments that may impact mineral development by increasing the cost of mineral recovery and decreasing the amount of minerals recoverable. As determinations that lands are unsuitable are awarded more frequently, the amount of land available for mining declines and the risk that mining in planned areas will be prohibited increases. There is a risk that certain lands will not be open for mining, decreasing the number of operations that mining companies can maintain or acquire in the future. Even in areas where mining may not be prohibited outright, the presence of other land uses restricts the ability of mining companies to operate efficiently. Residential

structures, other buildings, gas wells, pipelines, roads, electric transmission lines, and numerous land uses other than mining are commonly located in areas where mining companies operate. These land uses may inhibit a mining company's operations, and negative impacts on these land uses that may result from a mining company's operations could create liability exposure. Additionally, the need to accommodate other land uses may result in a less efficient use of the mining property.

First Nations Potential Land Claims

Corsa Coal's mineral projects may be located in areas subject to First Nations land claims. The development and the operation of such properties may require the conclusion of impact and benefit agreements ("IBAs") and/or other agreements with the affected First Nations. As a result of the IBAs or of other agreements, the Corporation may incur significant financial or other obligations to affected First Nations. The negotiation of such IBAs may also significantly delay the advancement of the properties. There can be no assurance that Corsa Coal will be successful in reaching an IBA or other agreement with First Nations groups who may assert rights or may have a claim which affects any of Corsa Coal's projects.

Mine Safety Regulation

Employee safety and health regulation in the mining industry is often comprehensive and pervasive. The cost of complying with numerous safety and health laws applicable to the mining industry in many jurisdictions is substantial. In many cases, negative publicity surrounding accidents in the mining industry has resulted in expensive new safety requirements and substantially increased penalties for failure to comply with these regulations. Failure to comply with such requirements may result in fines and/or penalties being assessed against mining companies. Given the complexity of the mine safety and health regulations, there is a risk that a mining company's business operations will be affected by these regulations.

Restriction against Greenhouse Gas Emissions

Laws restricting the emissions of greenhouse gases in jurisdictions or areas where mining companies conduct business or sell minerals could adversely affect operations and demand for these minerals. Mining companies may be subject to regulation of greenhouse gas emissions from stationary sources as well as mobile sources such as cars and trucks. Current and proposed laws, regulations and trends and electricity generators may influence the switch to other fuels that generate less greenhouse gas emissions, possibly further reducing demand for certain minerals.

Anti-Corruption Legislation

Mining companies are subject to anti-corruption legislation including the *Corruption of Foreign Public Officials Act* (Canada) and other similar acts (collectively "Anti-Corruption Legislation"), which prohibit mining companies or any of their officers, directors, employees or agents acting on their behalf from paying, offering to pay or authorizing the payment of anything of value to any foreign government official, government staff member, political party or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in an office capacity. The Anti-Corruption Legislation also requires public companies to make and keep books and records that accurately and fairly reflect their transactions and to devise and maintain an adequate system of internal accounting controls. International activities create the risk of unauthorized payments or offers of payments by employees, consultants or agents, even though they may not always be subject to a mining company's control. Mining company's existing safeguards and any future improvements may provide to be less than effective, and employees, consultants and agents may engage in conduct for which mining companies may be held responsible. Any failure by a mining company to adopt appropriate compliance procedures and to ensure that its employees and agents comply with Anti-Corruption Legislation and applicable laws and regulations in foreign jurisdictions could result in substantial penalties or restrictions on its ability to conduct its business, which may have a material adverse impact on a mining company or its share price.

Infrastructure

Some mineral properties may be located in remote areas at some distance from existing infrastructure. Mineral production conducted at remote locations would require building, adding or extending infrastructure, which could add to time and cost required for mine development. Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. In order to develop mines on such properties, it will be necessary to negotiate and conclude various agreements for various infrastructure requirements, including for rail transportation, power and port access with various industry participants, including external service and utility providers. The inability to conclude any such agreements could have a material adverse effect on a company's ability to produce or market any products from the projects. A company's projects may require access to a sea port, however, there is no assurance that access to such facilities or alternative facilities on economically feasible terms will be available. In addition, there is no certainty that the a mining company will be able to access sources of power on economically feasible terms for all of its projects and requirements. An inability to meet infrastructure requirements could have a material adverse effect on the Corsa Coal's results of operations and financial condition.

Risks relating to the agriculture sector

<u>Risks Relating to Union Agriculture's Business</u>

A Limited Operating History with a History of Losses

Union Agriculture has a limited operating history and has recorded negative cash flows and incurred operating losses in many of the fiscal years since its formation. As a consequence of its historical operating performance and current financing constraints, Union Agriculture has recently undertaken a significant change in its operating model in a portion of its business and has determined to shift from crop and cattle farming operations to leasing land to a number of other farmers in exchange for rental income.

The continued development of Union Agriculture's business will require it to make significant capital expenditures. These expenditures, together with associated operating expenses, may result in continued negative cash flow and net losses in the foreseeable future. In addition, with Union Agriculture's relatively limited operating history and recent change in its operating model, the risk profile of its business may be higher than for those companies with more established records of operation. Union Agriculture may continue to record losses and negative cash flows in future periods, its losses may increase in the future, and in the event that Union Agriculture does have profits, it may be unable to sustain its operating cash flow.

Union Agriculture has a limited operating history upon which to evaluate the viability and sustainability of its current business and future prospects. Accordingly, Union Agriculture's future prospects should be considered in light of the risks and uncertainties experienced by other early stage agricultural companies. Union Agriculture may be unsuccessful in addressing any of these risks and uncertainties.

Illiquidity of Farmland Assets

Union Agriculture's business is focused on leasing agricultural land. Farmland investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Furthermore, the agricultural real estate market in Uruguay is volatile. Such illiquidity and volatility may limit Union Agriculture's ability to vary its portfolio promptly in response to changing economic or investment conditions. If Union Agriculture were required to liquidate farmland investments, the proceeds it receives might be significantly less than the aggregate carrying value of such property.

Farmland Valuation

Union Agriculture’s largest asset is its portfolio of farmland in Uruguay. The fair value of this farmland may be impacted by a number of factors including, but not limited to, market transactions for comparable farmland in the same regions as Union Agriculture, the productive capacity of the farmland, commodity prices for agricultural products that are suited for production on Union Agriculture’s farmland and the cost of inputs required for farmers to grow these crops, economic conditions such as interest rates, and the overall level of investor demand for farmland. A material change in the value of Union Agriculture’s portfolio of farmland could have a significant impact on the value of the Company’s investment in Union Agriculture.

Leasing

Union Agriculture is subject to leasing risks as tenants may experience financial difficulties during their lease terms, which could cause them to be unable to fulfill their lease commitments. Also, as leases expire, tenants may not renew their lease or may renew at reduced rents, which may impact the financial results of Union Agriculture.

Product Price Fluctuations

Prices for agricultural products, like those of other commodities, have historically been cyclical and sensitive to domestic and international changes in supply and demand and can be expected to fluctuate significantly. In addition, some agricultural products, such as soybeans and wheat, are traded on commodities and futures exchanges and thus are subject to speculative trading, which could adversely affect them. The prices that a market participant is able to obtain for its agricultural products depends on many factors beyond its control including:

- prevailing world commodity prices, which historically have been subject to significant fluctuations over relatively short periods of time, depending on worldwide demand and supply;
- changes in the agricultural subsidy levels of certain important producers (mainly the U.S. and the EU) and the adoption of other government policies affecting industry market conditions and prices;
- changes to trade barriers of certain important consumer markets (including China, India, the U.S. and the EU);
- changes in government policies for biofuels;
- world inventory levels (i.e., the supply of commodities carried over from year to year);
- climatic conditions and natural disasters in areas where agricultural products are cultivated;
- the production capacity of the farm's competitors; and
- demand for and supply of competing commodities and substitutes.

Since all leases are denominated in kilograms of production, if crop prices decline, the rental income received by Union Agriculture may be adversely affected.

Further, as previously noted, there is a strong relationship between the value of Union Agriculture's land holdings and market prices of the commodities produced on such land, which are affected by global economic conditions. A decline in the prices of the commodities produced on Union Agriculture land below their current levels for a sustained period of time could significantly reduce the value of Union Agriculture's land holdings.

Dependence on Third-Party Volumes for Logistics and Trading Operations

Union Agriculture’s logistics and trading operations have historically handled the internal production from Union Agriculture’s farmland, along with that of other third parties. With the change in business model to leasing farmland, Union Agriculture has sought to retain the logistics and trading business of these tenant farmers but may not have certainty that it will continue to do so in the future. A material reduction in volumes and revenues through Union Agriculture’s trading and logistics business could impact earnings at this business unit, along with the value of the assets associated with it.

Dependence on New Capital

Union Agriculture's cash flow from operations is insufficient to provide the necessary capital to fund its operations, debt burden and capital expenditures. Union Agriculture requires additional capital to fund those requirements, whether through equity or debt financings or asset sales. Continued operations and its ability to continue as a going concern are dependent on its ability to obtain additional funding in the near future and thereafter, and there are no assurances that such funding will be available to Union Agriculture at all or will be available in sufficient amounts or on reasonable terms. Without additional funds Union Agriculture will be unable to continue operations and SRH may lose some or all of its investment in Union Agriculture.

Indebtedness

Union Agriculture has outstanding debt obligations with a number of lenders. Union Agriculture has historically been successful in refinancing, extending, or repaying these facilities through sales of farmland assets as required. However, should Union Agriculture be unsuccessful in raising the necessary amount of capital to repay these obligations or be unable to extend the maturity dates or otherwise refinance these obligations there is the risk of a material adverse effect on Union Agriculture, and the Company's investment in Union Agriculture.

Credit Risk

Union Agriculture is exposed to risks of loss in the event of non-performance by its leaseholders. Some of Union Agriculture's leaseholders may be highly leveraged and subject to their own operating and regulatory risks. Notwithstanding Union Agriculture's credit review and analysis mechanisms, Union Agriculture may experience financial loss in its dealings with other parties.

The Company's investment in Uruguay-based Union Agriculture, may be considered an investment in an emerging market. This investment is dependent upon economic conditions in Uruguay, and any decline in Uruguay's economic conditions could have an adverse effect on such investment.

Emerging market investments generally pose a greater degree of risk than investments in more mature market economies because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments. All of Union Agriculture's operations and development activities are in Uruguay. Uruguay has a history of economic instability or crises (such as inflation or recession), political instability, and changes in laws and regulations which could adversely affect the Company's investment in Union Agriculture and as a result, its business, financial condition and results of operations.

In particular, fluctuations in the Uruguayan economy and actions adopted by the government of Uruguay have had and may continue to have a significant impact on companies operating in Uruguay, including Union Agriculture. Specifically, Union Agriculture may be affected by inflation, foreign currency fluctuations, regulatory policies, business and tax regulations and in general, by the political, social and economic scenarios in Uruguay and in other countries that may affect Uruguay.

At the end of 2001 and into 2002, a banking crisis erupted in Uruguay as a result of the financial crisis in neighbouring Argentina and the capital controls and deposit freezes imposed in response by the Argentine government. As a result of high levels of exposure to Argentina, banks in Uruguay began facing liquidity problems, causing large waves of deposit withdrawals from the Uruguayan banking sector, severely impacting solvency of banks, lending, liquidity and economic growth. Future banking crises, including those triggered by neighboring countries, could occur in Uruguay, which could materially and adversely affect Union Agriculture's business, financial condition and the results of its operations, or the market price of its common shares and as a result could have an adverse effect on the Company's investment in Union Agriculture.

Global economic crises could negatively affect investor confidence in emerging markets or the economies of the principal countries in Latin America, including Uruguay. Such events could materially and adversely affect Union Agriculture's business, financial condition and results of operations and as a result could have an adverse effect on the Company's investment in Union Agriculture.

Uruguay's economy could be adversely affected by the deterioration of other global markets.

Financial and securities markets in Uruguay are influenced by the economic and market conditions in other countries, including other South American and emerging market countries and other global markets. Although economic conditions in these countries may differ significantly from economic conditions in Uruguay, investors' reactions to developments in these other countries, such as the recent developments in the global financial markets, may substantially affect the capital flows into, and the market value of securities of issuers with operations in Uruguay.

A crisis in other emerging market countries could dampen investor enthusiasm for securities of issuers with South American operations, including the common shares of Union Agriculture. For example, in 2002, Uruguay experienced its steepest economic and financial crisis in recent history, resulting mostly from external factors. Devaluation in neighbouring Brazil in 1999 made Uruguayan goods less competitive. Starting in late 2001, an economic crisis in Argentina also undermined Uruguay's economy. In mid-2002, Argentine withdrawals from Uruguayan banks started a bank run which was overcome only by massive borrowing from international financial institutions, leading in turn to serious debt sustainability problems. Financial conditions in Argentina, Brazil or other emerging market countries could negatively impact Uruguay's economy in the future.

A significant deterioration in the economic growth of any of the main trading partners of Uruguay could have a material impact on the trade balance of the country and could materially and adversely affect its economic growth. This, in turn, could adversely affect Union Agriculture's business, financial condition and the results of its operations and as a result could have an adverse effect on the Company's investment in Union Agriculture.

The Uruguayan Government has a high degree of influence on the Uruguayan economy, which could adversely affect the Company's investment in Union Agriculture.

In the past, the Uruguayan Government has intervened in its economy and made significant changes in monetary, credit, industry and other policies

and regulations. The government may again take action in the future to control inflation and implement other policies and regulations, including measures, price controls, currency devaluations, capital controls and limits on imports. The Company has no control over, and cannot predict, what measures or policies the government may take in the future. The Company's investment in Union Agriculture could be materially and adversely affected by changes in governmental policy or regulations that impact factors such as:

- labour laws;
- utilities and fuel prices;
- economic growth;
- currency fluctuations;
- inflation;
- liquidity of domestic capital and lending markets;
- liquidity and solvency of the financial system;
- monetary policy;
- developments in trade negotiations through the WTO or other international organizations;
- tax laws, including royalties and the effect of tax laws on distributions from the Company's subsidiaries; and
- other political, social and economic developments, including political, social or economic instability, in or affecting Uruguay.

Uncertainty over whether the government will implement changes in policy or regulation affecting these or other factors in the future may contribute to economic uncertainty and heightened volatility in the securities markets, which could have a material and adverse effect on the Company's investment in Union Agriculture.

Increased Risks Associated with Emerging Market Investments Generally

As a result of investing in emerging markets such as Uruguay, the Company is exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to, terrorism, hostage taking, military repression, crime, political instability, currency controls, extreme fluctuations in currency exchange rates, high rates of inflation, labour unrest, the risks of war or civil unrest, expropriation and nationalization, renegotiation or nullification of existing concessions, licenses, permits, approvals and contracts, illegal mining, changes in taxation and mining laws, regulations and policies, corruption risks of using foreign representatives and consultants, restrictions on foreign exchange and repatriation, and changing political conditions and governmental regulations relating to foreign investment and the mining business.

Legal Title to Union Agriculture Land

If Union Agriculture does not obtain governmental authorizations with respect to all of its lands, it could lose the rights to the use of such lands. It is the Company's understanding that Union Agriculture executes purchase promise agreements, or *promesas de compraventa*, instead of definitive purchases, or *compraventas definitivas,* to acquire its rural land in Uruguay. In order for Union Agriculture's subsidiaries to obtain legal title to and use the rural land acquired under a *promesa*, the Company understands that Uruguayan law requires that each such subsidiary obtain prior governmental authorization. Union Agriculture has received governmental authorization to obtain legal title to and use certain of its lands in the past and it is the Company's understanding that Union Agriculture expects to obtain such authorizations in the future. However, it is the Company's understanding that if the Uruguayan government denies Union Agriculture's request for authorization under the exemptions available to it, or it is determined that the required authorization has not been adequately obtained, Union Agriculture could lose its rights to the use of such land and any of its subsidiaries that have not obtained such authorization would be required to dissolve and liquidate its assets to its parent company. Any such liquidation could be on unfavourable terms, and could deprive Union Agriculture of the benefits of the rights to the use of such lands under *promesas*. Any liquidation of a substantial portion of Union Agriculture's assets, or any loss of its rights to the use of such lands, could have a material adverse effect on its business, financial condition and results of operations.

Union Agriculture has not conducted surveys of all its farmland and, consequently, the precise area and location of its titles may be in doubt. Title to Union Agriculture's farmlands may be subject to clerical errors in the official certificates or plans or other undetected title defects. Any such clerical errors or defects in the chain of ownership could subject Union Agriculture to third party title claims as the last acquirer of the farmland. A claim contesting Union Agriculture's title to a farmland may cause Union Agriculture to lose its right to farm the land and Union Agriculture may incur significant costs related to the defense of its title.

Unpredictable Weather Conditions, Pest Infestations and Diseases

The occurrence of severe adverse weather conditions, especially droughts, hail, floods or frost, is unpredictable and may have a potentially devastating impact on agricultural, livestock and dairy production, and may otherwise adversely affect the rental income that Union Agriculture receives. The occurrence and effects of disease and plagues can be unpredictable and devastating to agricultural, livestock and dairy products, potentially rendering all or a substantial portion of the affected harvests unsuitable for sale. Adverse weather conditions may be exacerbated by the effects of climate change. The effects of severe adverse weather conditions may reduce yields on agricultural land leased by Union Agriculture.

Diseases among cattle and sheep herds, such as brucellosis and foot-and-mouth disease, can have an adverse effect on dairy production and fattening, rendering cows and sheep unable to produce dairy or meat for human consumption. Outbreaks of cattle and sheep diseases may also result in the closure of certain important markets, such as the United States, to cattle and sheep products. A future outbreak of diseases among cattle and sheep herds could adversely affect cattle, sheep and dairy sales.

Since all leases are denominated in kilograms of production, if crop production or cattle and sheep products are adversely affected by weather conditions or disease, the rental income received by Union Agriculture may be adversely affected.

Dependence on its Management Team

Union Agriculture is dependent on its management team, and its success may depend on its ability to retain or attract adequate managerial resources. Union Agriculture's success depends, to a large extent, on the ability and judgment of its senior management to make appropriate decisions with respect to its operations. Union Agriculture will continue to retain the qualified personnel needed for its business.

Future Changes to Laws and Regulations

Union Agriculture is subject to numerous laws and regulations. Union Agriculture could be adversely affected by changes in regulatory requirements, customs, duties or other taxes. Existing and future government laws, regulations and policies (including environmental laws, regulations and policies) may greatly influence how it operates its business, its business strategy and, ultimately, its financial viability. Further, Uruguayan governmental policies may directly or indirectly influence a number of factors affecting Union Agriculture's business, such as the rules regarding ownership and leasing of land.

Environmental Regulation

Union Agriculture's activities are subject to laws and regulations relating to the protection of the environment. Under various Uruguayan laws, Union Agriculture could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on, from or in one or more of its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, may adversely affect its ability to sell such property or to borrow using the property as collateral, and could potentially also result in claims against Union Agriculture by private parties. In addition, global environmental legislation and policies have become increasingly stringent in recent years as a result of concerns regarding climate change and environmental regulation in the areas in which Union Agriculture operates may also become more stringent.

Insurance Coverage

Certain types of risks may not be covered by the policies that Union Agriculture holds. Additionally, any claims to be paid by an insurer due to the occurrence of a casualty covered by its policies may not be sufficient to compensate Union Agriculture for all of the damages suffered. Moreover, Union Agriculture may not be able to maintain or obtain insurance of the type and amount desired at reasonable costs.

Risks Relating to OEF's Business

A Limited Operating History

OEF's current operations reflect a restructuring with significant acquisitions in the last three years. As such, OEF's current operations have a limited history. Accordingly, OEF is subject to many risks common to such enterprises, including under-capitalization, cash shortages, lack of revenue, integration difficulties and limitations with respect to personnel, financial and other resources. There is no assurance that OEF will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

Access to Capital

In order to execute its growth strategy, OEF requires additional capital to fund the necessary operations and capital expenditures and there are no assurances that such funding will be available to OEF at all or will be available in sufficient amounts or on reasonable terms. Without additional funds OEF's future operations, and the value of the Company's investment in OEF, may be adversely impacted.

A Rise in the Price of Inputs

The profitability of OEF's retail products is highly susceptible to input costs, especially for cattle and chickens, which largely remain outside OEF's control.

Production and pricing of inputs, such as cattle and chicken, are determined by constantly changing market forces of supply and demand over which OEF has limited or no control. Such factors include, among other things, weather patterns, outbreaks of disease, the level of supply inventories and demand for grains and other feed ingredients, as well as government agricultural and energy policies.

Volatility in OEF's commodity and raw material costs directly impacts its gross margins and profitability. OEF's objective is to offset commodity price increases with pricing actions over time. However, OEF may not be able to increase its product prices enough to sufficiently offset increased raw material costs due to consumer price sensitivity or the pricing postures of its competitors. In addition, if OEF increases prices to offset higher costs, it could experience lower demand for its products and sales volumes. Conversely, decreases in OEF's commodity and other input costs may create pressure on it to decrease its prices. Over time, if OEF is unable to price its products to cover increased costs, to offset operating cost increases with continuous improvement savings, then commodity and raw material price volatility or increases could materially and adversely affect its profitability, financial condition and results of operations.

Product Pricing and Sales Volumes

OEF's profitability is dependent, in large part, on its ability to make pricing decisions regarding its products that, on the one hand encourage consumers to buy, yet on the other hand recoup development and other costs associated with those products. Products that are priced too high will not sell and products priced too low will lower OEF's profit margins.

The quantity and pricing for sales of OEF's products to retail and wholesale customers are subject to fluctuations, including adverse changes, resulting from, amongst other things, changes in end consumer demand, product decisions by wholesale customers and the actions of competitors.

Brand Value and Competition

The food industry, and the grocery retail sector, are intensely competitive. Competition is based on product availability, product quality, price, effective promotions and the ability to target changing consumer preferences together with market share objectives and promotional activities of retailers. OEF experiences price pressure from time to time as a result of retailers' promotional efforts, competitors promotional efforts and benchmark pricing for commodity products in the product categories supplied by OEF. Increased competition together with increased retail consolidation could result in reduced sales, margins, profits and market share.

In many product categories, OEF competes not only with other branded products, but also with private label or commodity products that generally are sold at lower prices. Consumers are more likely to purchase OEF's products if they believe that its products provide a higher quality and greater value than less expensive alternatives. If the difference in quality between OEF's brands and private label and commodity products narrows, or if there is a perception of such a narrowing, consumers may choose not to buy OEF's products at prices that are profitable for it. In addition, in periods of economic uncertainty, consumers tend to purchase more lower-priced products. To the extent this occurs, OEF could experience a reduction in the sales volume of its higher margin products or a shift in its product mix to lower margin offerings.

Risks Related to OEF's Labour Force

OEF is subject to risks related to its labour force, including compliance with federal or provincial labour laws such as, amongst others, minimum wage requirements, overtime, working and safety conditions, employment eligibility and temporary foreign worker requirements. Other risks related to the labour force include any changes in employment eligibility requirements, the cessation or limitation of access to federal or provincial labour programs, including the temporary foreign worker program, or significant increases in labour or other costs to OEF in running its businesses.

The majority of CPM's production workers are employed through the Canadian Temporary Foreign Workers Program ("TFWP"). In June 2014, amendments were made to the TFWP, which may reduce the number and availability of employees it can hire through the program. While OEF has successfully managed its workforce in spite of these changes, there remains the potential for CPM and OEF to be adversely affected by these amendments, or future amendments to the TFWP.

If new Canadian temporary foreign worker legislation is enacted, or the current TFWP is modified further, such laws or modifications may contain provisions that could increase the costs in recruiting, training and retraining workers, and increase the costs of complying with employment laws and standards.

Food Safety

OEF is subject to risks that affect the food industry in general, and is exposed to potential liability and costs related to food spoilage, accidental contamination, food allergens, evolving consumer preferences and nutritional and health-related concerns, product tampering, consumer product liability, product labeling and advertising errors, and the potential costs and disruptions of a product recall, either in their own operations, or in the operations of the third parties they rely on for certain processing and other supply chain activities. OEF's processes and products are susceptible to contamination by disease-producing organisms, or pathogens, such as E. Coli, salmonella and listeria. There is a risk that these pathogens, as a result of food processing, could be present in either OEF's processing facilities or products. OEF requires strict control of the temperature at which it stores its products and is susceptible to any risks of spoilage due to issues with maintaining appropriate temperatures.

OEF's employees and management follow strict food safety protocols and processes in their manufacturing facilities and distribution systems including, but not limited to, striving for compliance with all applicable regulatory requirements, employee training and supervision in proper handling practices, and the maintenance of systems that allow traceability of all meat products from CPM to other OEF businesses or third parties, and the traceability of all meat products from OEF's businesses to customers or end retailers. However, these measures, even when working effectively, cannot eliminate all risks of an instance of food borne illness. Pathogens can also be introduced to OEF's products as a result of improper handling in transportation or at the further processing, foodservice or consumer level, along with third party tampering of products.

OEF could also be required to recall certain of its products in the event of contamination or adverse test results or as precautionary measures. There is also a risk that not all of the product subject to a recall will be properly identified, or that a recall will not be successful or not be enacted in a timely manner. Any product contamination could subject OEF to product liability claims, adverse publicity and government scrutiny, investigation or intervention, resulting in increased costs and decreased sales.

Livestock Disease

Cattle are vulnerable to viral infections and other diseases and there can be no assurance that OEF's or its supplier's livestock will not be infected. A serious outbreak of disease amongst OEF's cattle may result in losses or costs, and have a negative impact on OEF's reputation. In addition, an

outbreak of such disease in the cattle industry generally, even if it does not directly infect OEF's cattle, could impact the cattle and beef industry negatively.

An outbreak of cattle disease or any outbreak of other animal epidemics might also result in material disruptions to CPM's operations, the operations of its customers or suppliers, including other OEF businesses, or a decline in the industry or in the economic growth of Canada and surrounding regions, any of which could have a material adverse impact on CPM's operations. Further, consumer concerns regarding safety and quality of food products or health concerns could adversely affect the downstream sales of CPM's customers, including OEF.

Economic Dependence by OEF's Products on Large Accounts

The five largest accounts for OEF's products represented approximately 50% of OEF's consolidated revenues for 2016. Accordingly, OEF's success depends, to a large extent, on its ability to retain its key customers, which may not be possible.

Regulation

OEF's operations are subject to extensive inspection and regulation by and policies from federal, provincial and local government agencies, including but not limited to: the Canadian Food Inspection Agency; the Ministry of Agriculture in Canada; Health Canada and provincial Ministries of the Environment in Canada, as well as foreign laws and regulations. Amongst other things, these agencies regulate the processing, packaging, storage, distribution, advertising, and labeling of products, including food safety standards. OEF strives to maintain compliance with all laws and regulations and maintain all permits and licenses relating to its operations. Nevertheless, there can be no assurance that OEF is in compliance with such laws and regulations, has all necessary permits and licenses, and will be able to comply with such laws and regulations, permits and licenses in the future. Failure to comply with applicable laws and regulations and loss of or failure to obtain permits, licenses and registrations could delay or prevent OEF from meeting current product demand, introducing new products or building new facilities. If OEF is found to be out of compliance with applicable laws and regulations, it could be subject to civil remedies, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions. In addition, the failure or alleged failure to comply with applicable laws and regulations could subject OEF to product liability claims, adverse publicity and government scrutiny, investigation or intervention, resulting in increased costs and decreased sales. Claims regarding "natural" and "organic" products have also been the subject of increased public scrutiny in recent years.

Regulatory Changes

There have been many developments in the Canadian agriculture industry over the past number of years. In particular, the Canadian government has been actively engaged in activities to modernize and strengthen food safety laws in Canada and this area is expected to continue to develop. There can be no assurance that additional regulation will not be enacted and it is difficult to predict the impact of any such additional regulation on OEF and its operations and financial condition.

Sales to Foreign Countries

OEF sells products in select EU markets, China and the Middle East. As a result, OEF is subject to various risks and uncertainties relating to international sales, including:

- imposition of tariffs, quotas, trade barriers and other trade protection measures imposed by foreign countries regarding the importation of poultry, beef, pork and prepared foods products, in addition to import or export licensing requirements imposed by various foreign countries;
- closing of borders by foreign countries to the import of poultry, beef and pork products due to animal disease or other perceived health or safety issues;
- impact of currency exchange rate fluctuations;
- political and economic conditions;
- tax rates that may exceed those in Canada and earnings that may be subject to withholding requirements and incremental taxes upon repatriation;
- potentially negative consequences from changes in tax laws; and
- distribution costs, disruptions in shipping or reduced availability of freight transportation.

Negative consequences relating to these risks and uncertainties could jeopardize or limit OEF's ability to transact business in one or more of those markets where it sells its products or in other developing markets and could adversely affect its financial results.

Consumer Trends

The success of OEF depends in part on its ability to respond to market trends and produce products that anticipate and respond to the changing tastes and dietary habits of consumers. OEF's failure to anticipate, identify, or react to these changes or to innovate could result in declining demand and prices for its products.

Supply Chain Management

Successful management of OEF's supply chain is critical to its success. Insufficient supply of products threatens OEF's ability to meet customer demands while over capacity threatens its ability to generate competitive profit margins.

Lack of Qualified Personnel

OEF's performance depends to a significant extent on its ability to attract and retain highly qualified and skilled management personnel with appropriate cattle, production and food product expertise. The loss of key persons or the inability to recruit appropriate personnel could have a negative impact on OEF's performance. In addition, OEF would need to hire and retain qualified employees to work in various operational positions.

A Reliance on Third Party Operators in Cattle Operations

All of OEF's cattle raising operations are now conducted by third parties operating under contract to raise livestock owned by OEF. The actions and performance of these third parties raising OEF's cattle, including in areas such as calf weaning weights, calf weaning rates, and rate of weight gain is not within OEF's control.

Livestock Fertility Rates

OEF's cattle operations are largely dependent on maintaining adequate fertility rates amongst its cows. A significant decrease in fertility rates amongst OEF's cows may lead to a decrease in the herd size and the quantity of beef for sale.

Poor Weather Conditions

Poor weather conditions or climate change may adversely affect OEF's operational results. Cattle operations can potentially be negatively impacted by weather conditions leading to increased feeding costs, reduced weight gain by animals and potentially higher animal mortality.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments by management represent an integral component of the Financial Statements prepared in conformity with IFRS. The estimates made in the Financial Statements reflect management's judgments based on past experiences, present conditions and expectations of future events. Where estimates were made, the reported amounts for assets, liabilities, revenues and expenses may differ from the amounts that would otherwise be reflected if the ultimate outcome of all uncertainties and future events were known at the time the Financial Statements were prepared. Other than explained below, please refer to Note 2 of the Financial Statements for details on critical accounting estimates.

Fair value of investments

The Company's investments are recorded in the Consolidated Statements of Financial Position at fair value. Management and the Board use 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 making assessments of the future earnings potential of investee companies, appropriate earnings multiples to apply, and adjustments to comparable multiples. 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.

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

Determination of investment entity status

The most significant judgment made in preparing the Financial Statements is the determination that the Company is an investment entity. 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 status as an investment entity, the most significant judgments made include the determination by the Company that its investment-related activities with subsidiaries, other than SRP, do not represent a separate substantial business activity and that fair value is the primary measurement attribute used to monitor and evaluate substantially all of its investments.

Stock-based compensation

Equity compensation through the Trust can only be granted to employees and directors when the Company is permitted to purchase its own shares through the TSX. From time-to-time, equity compensation is approved during a period of regulatory blackout which requires management to estimate the number of shares that will ultimately be granted as equity compensation.

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

There are no standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a material impact on the Company as an investment entity.

NON-IFRS FINANCIAL MEASURES

This MD&A uses the terms "NAV", "NAV per share", "Working Capital", "Net Cash" and "Discount to NAV" which are not recognized under IFRS and may not be comparable to similar measures presented by other companies. The Company uses these measures to help evaluate its performance and liquidity as well as to assess potential investments and acquisitions. The Company considers these metrics to be key performance measures as it demonstrates the Company's ability to generate funds necessary to fund future growth through capital investment. These non-IFRS measures should not be considered as an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with IFRS.

ADVISORY

Forward-Looking Information

Certain statements in this MD&A, and in particular the "Business Objectives" and "Outlook" sections, contain forward-looking information (collectively referred to herein as the "Forward-Looking Statements") within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify Forward-Looking Statements. In particular, but without limiting the forgoing, this MD&A contains Forward-Looking Statements pertaining to: (i) expectations with respect to SRHI's transition from a private equity firm to a diversified holding company; (ii) the belief that it will take SRHI less than 12 months to make the transition from a private equity firm to a diversified holding company; (iii) the expectation that once the transition to a diversified holding company is complete, SRHI will focus on holding businesses in the natural resource industry that it believes can generate sustainable free cash flow; (iv) expectations with respect to commodity sector recoveries, price volatility and long term fundamentals; (v) expectations with respect to InPlay Oil; (vi) Corsa Coal's intention to expand production and sales volumes and capitalize on the current favorable market conditions; (vii) expectations with respect to Corsa Coal's financing; (viii) SRHI's ability to pursue new investment opportunities; (ix) continued support of investee companies; (x) monetization of investments; (xi) reducing the discount between SRHI's share price and NAV; (xii) value drivers; (xiii) expectations with respect to RII and its EOR technology; (xiv) Union Agriculture's continued management of agreements extending the repayment of its financial debts and revising the terms of certain financing agreements; (xv) expectations with respect to Union Agriculture's change in business model; (xvi) Union Agriculture's intentions and expectations with respect to its trading and logistics activities; (xvii) Union Agriculture's expectations with respect to additional land sales and reduction of debt; (xviii) expectations with respect to the market for natural and organic proteins; (xix) expectations with respect to cattle and beef prices; (xx) expectations regarding the impact of increased use of third-party cattle by OEF; and (xxi) expectations regarding the Company's continued financial position.

Although SRC believes that the Forward-Looking Statements are reasonable, they are not guarantees of future results, performance or achievements. A number of factors or assumptions have been used to develop the Forward-Looking Statements, including: (i) energy markets and the price of oil, natural gas liquids and natural gas will be higher in the future; (ii) the continued availability of quality management; (iii) the effects of regulation and tax laws of governmental agencies will not materially change; and (iv) those estimates listed herein under the heading "Critical Accounting Estimates and Judgments". Actual results, performance or achievements could vary materially from those expressed or implied by the Forward-Looking Statements should assumptions underlying the Forward-Looking Statements prove incorrect or should one or more risks or other factors materialize, including: (i) general economic, market and business conditions; (ii) market volatility that would affect the ability to enter or exit investments; (iii) commodity price fluctuations and uncertainties; (iv) risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of estimates and projections relating to reserves, production, costs and expenses, and health, safety and environmental risks); (v) risks associated with the mining industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of estimates and projections relating to reserves, production, costs and expenses, and health, safety and environmental risks); (vi) risks associated with the farming industry in general (e.g., weather risks, operational risks in production; the uncertainty of estimates and projections related to livestock); (vii) risks associated with the food manufacturing and retail business in general (e.g., a rise in the cost of inputs, a drop in pricing and/or sales volumes, food safety); (viii) the uncertainty of reserves and resources; (ix) changes in environmental and other regulations; (x) those risks disclosed herein under the heading “Major Risks” with respect to each of the Company’s key investments; and (xi) those risks disclosed herein under the heading "Risk Management". The Forward-Looking Statements speak only as of the date hereof, unless otherwise specifically noted, and SRC does not assume any obligation to publicly update any Forward-Looking Statements, whether as a result of new information, future events or otherwise, except as may be expressly required by applicable Canadian securities laws.

ABBREVIATIONS

$	Canadian dollars
$000s	thousands of Canadian dollars

DEFINED TERMS

- **"2015 NCIB"** means the Normal Course Issuer Bid that commenced September 10, 2015 and expires on September 9, 2016.
- **"ADI"** means Adriana Resources Inc.
- **"AIF"** means Annual Information Form dated March 4, 2016 which may be accessed at www.sedar.com, and may also be found on the Company's website at www.sprottresource.com.
- **"Arrangement"** means the plan of arrangement involving ADI and SRC.
- **"Beneficiary"** means an employee or director of the Company who is a member of the EPSP.
- **"Beretta Farms"** means Beretta Farms Inc., a Toronto, Canada private based vertically integrated food business focused on natural and organic beef, chicken and other products to retail and home delivery consumers.
- **"Board"** means board of directors of the Company.
- **"CAD"** means Canadian dollar(s).
- **"CFO"** means Chief Financial Officer.
- **"CGU"** means cash generating unit.
- **"CPM"** means Canadian Premium Meats Inc.
- **"Company"** means Sprott Resource Corp. and its subsidiaries and affiliates.
- **"Corsa Coal"** means Corsa Coal Corp., a Canadian public company in the business of mining, processing and selling metallurgical and thermal coal, as well as actively exploring, acquiring and developing resource properties that are consistent with its existing coal business.
- **"Delphi Energy"** means Delphi Energy Corp.
- **"Diamond Willow "** means Diamond Willow Organics (2012) Ltd.
- **"Discount to NAV"** means the discount between the Company's NAV per share and the Company's closing stock price on the period-end date.
- **"DOE"** means the Alberta Department of Energy.
- **"E&E"** means exploration and evaluation.
- **"E&P"** means a company in the business of providing exploration and production services.
- **"EOR"** means enhanced oil recovery.
- **"EPSP"** means the employee profit sharing plan of the Company.
- **"Exchange Ratio"** means 3.0 ADI common shares per common share of SRC.
- **"EU"** means the European Union.
- **"Facility"** means the credit facility the Company has in place with Sprott Resource Lending Corp.
- **"Financial Statements"** means the Company's audited annual consolidated financial statements for the year ended December 31, 2016 and 2015, including the notes thereon.
- **"G&A"** means general and administrative expenses.
- **"IBAs"** means impact and benefit agreements.

- **"IASB"** means International Accounting Standards Board.
- **"ICD"** means Independence Contract Drilling, Inc., a U.S. oil services company specializing in the manufacture and operation of oil and natural gas drilling rigs, which became a public company effective August 8, 2014.
- **"IFRS"** means International Financial Reporting Standards.
- **"IFRS Amendments"** means the Amendments, IFRS 9 and IAS 28.
- **"InPlay Oil"** means InPlay Oil Corp., a growth-oriented, light oil development and production company focused on large oil in place pools with low recovery factors, low declines and long life reserves primarily targeting the Cardium Formation in Alberta, Canada.
- **"Investment Company Act"** means *Investment Company Act of 1940*.
- **"LOM"** means Lac Otelnuk Mining Ltd.
- **"Long Run"** means Long Run Exploration Ltd., a Canadian private company engaged in the development, acquisition, exploration and production of oil and natural gas in western Canada.
- **"MD&A"** means the Company's management's discussion and analysis.
- **"MSA"** means the amended and restated Management Services Agreement between SRC and SCLP.
- **"Managing Partner"** means Sprott Resource Consulting Limited Partnership, an affiliate of SCLP.
- **"Market Value Covenant"** means that the Facility provides that it shall be an event of default if the market value of the publicly traded securities owned by the Company is less than three times the total amount drawn under the Facility.
- **"Maturity Date"** means November 11, 2016 which is the date that the Facility matures.
- **"NAV"** means amended and restated Management Services Agreement between SRC and SCLP.
- **"NAV per share"** means the Company's NAV divided by the number of the Company's common shares that are issued and outstanding.
- **"New PA"** means the third amended and restated partnership agreement between SRC and the Managing Partner.
- **"New MSA"** means the Management Services Agreement between SRHI and SCLP.
- **"Net Cash"** means cash and cash equivalents less total liabilities.
- **"OEF"** means One Earth Farms Corp., a Toronto, Canada based private vertically integrated food business focused on natural and organic protein-based food production and retail.
- **"OEOG"** means One Earth Oil and Gas Inc., a private Canadian company that was engaged in the development of oil and gas opportunities on and adjacent to aboriginal lands in Alberta, Canada.
- **"OPEC"** Organization of the Petroleum Exporting Countries.
- **"Partnership Agreement"** means the amended and restated partnership agreement between SRC and the Managing Partner.
- **"PFIC"** means passive foreign investment company.
- **"PHP"** means Prairie Heritage Producers.
- **"Plan"** means the EPSP.
- **"Potash Ridge"** means Potash Ridge Corp.
- **"Profit Distribution"** means an amount agreed to be paid under the Partnership Agreement to an affiliate of SCLP equal to 20% of: (a) the pre-tax profits of the Company for the year minus (b) the average quarterly Net Asset Value of the Company for the year multiplied by the percentage return of the Index.
- **"Quarterly Net Asset Value"** means the average of the Net Asset Value of the Partnership as at the end of such fiscal quarter and the Net Asset Value of the Partnership as at the end of the immediately preceding fiscal quarter.
- **"RII"** means R.I.I. North America Inc., a privately held Calgary-based upstream oil company that owns the North American intellectual property rights for the patented STRIP EOR technology.
- **"SCLP"** means Sprott Consulting Limited Partnership, the management company of SRC which provides active management, consulting and administrative services.
- **"SCP"** means the trading symbol for SRC which is listed on the TSX.
- **"Sprott"** means Sprott Inc., and its subsidiaries and affiliates.

- **"SRC"** means Sprott Resource Corp. and its subsidiaries and affiliates.
- **"SRC Shareholders"** means the holders of common shares of Sprott Resource Corp.
- **"SRHI"** means Sprott Resource Holdings Inc. and its subsidiaries and affiliates.
- **"SRLC"** means Sprott Resource Lending Corp.
- **"SRP"** means Sprott Resource Partnership.
- **"SEDAR"** means System for Electronic Document Analysis and Retrieval.
- **"Sour Gas"** means hydrogen sulfide.
- **"STRIP"** means the patented Solvent Thermal Resource Innovations Process.
- **"Stonegate"** means Stonegate Agricom Ltd., which is a Canadian public company developing the Mantaro Phosphate Project in Peru and the Paris Hills phosphate and vanadium project in Idaho, U.S.
- **"TFWP"** means Canadian Temporary Foreign Workers Program.
- **"Transaction"** means the investment by (i) Sprott of $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., for $5 million in Units.
- **"Trust"** means the Company's equity incentive plan (also see EPSP and Plan).
- **"TSX"** means the Toronto Stock Exchange.
- **"UNFCCC"** means United Nations Framework Convention on Climate Change.
- **"Union Agriculture"** means Union Agriculture Group, is a diverse agribusiness firm that owns and manages over 108,000 hectares of farmland in Uruguay.
- **"Unit"** means the security comprised of one ADI common share and one Warrant priced at $0.25 per unit.
- **"USD"** means United States dollar(s).
- **"Virginia Energy"** means Virginia Energy Resources Inc.
- **"Warrant"** means four quarter warrants received by ADI shareholders in respect of each ADI share held, with each whole warrant having a five-year term and a strike price of $0.333 per share.
- **"WISCO"** means WISCO International Resources Development and Investment Limited.
- **"Working Capital"** means cash and cash equivalents together with its trade and other receivables less its total liabilities.

ADDITIONAL INFORMATION

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