Sprott Resource Corp. 2016 Third Quarter Report

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis ("MD&A") of the performance, financial condition and future prospects of Sprott Resource Corp. (herein referred to as "SRC" or the "Company"). This document is prepared as at November 7, 2016 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and nine-months ended September 30, 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, including the Company's Annual Information Form ("AIF") for the year-ended December 31, 2015, 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. Common shares are listed on the Toronto Stock Exchange ("TSX") and trade 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 investment portfolio of SRC is held by SRP. The only assets not held in SRP are those assets necessary to administer the (i) public company and (ii) equity incentive plan of the Company (see Note 5e of the Financial Statements). See page "v" of the AIF *Company Overview* for additional information.

BUSINESS OBJECTIVES AND STRATEGY

Business Objectives

SRC is a publically-listed private equity firm focused on the natural resource sector. The Company invests through SRP and currently has investments in energy production and services, mining and agriculture. SRC creates value for its investors by applying a disciplined investment process to deploy capital while managing risk within highly cyclical sectors. SRC is a business builder that is committed to being value-added partners with proven management teams. SRC supports its investments through active management and the provision of long-term capital, as well as strategic, financial and governance oversight. Founded in 2007, the Company is based in Toronto, Canada and is managed by an experienced team of private equity specialists, supported by the technical and investment resources of Sprott Inc. and its subsidiaries and affiliates (collectively, "SII"). Despite the current challenging global energy and mining markets, management of SRC continues to be dedicated to generating long-term superior returns on capital, risk management and wealth preservation.

For 2016, the Company continued its 2015 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 SII.

Strategy

SRC seeks to accomplish its business objectives by:

Short-term

i. Advancing divestment opportunities of legacy and passive investments to strengthen financial flexibility;
ii. Narrowing the discount to Net Asset Value (see *Defined Terms* section for "NAV" and "Discount to NAV");

Long-term

iii. Exploring capital raising alternatives;
iv. Growing the value of the investment portfolio;
v. Continuing to partner with management and directors with a proven track record of success; and,
vi. Investing in new businesses.

i. Advance divestment opportunities of legacy and passive investments to strengthen financial flexibility

The Company's investment portfolio includes legacy and/or passive investments. The Company is currently pursuing divestment opportunities for both legacy and/or passive investments to generate additional liquidity. The majority of the Company's investments are significant ownership positions in private and public companies that can be difficult to exit for a variety of reasons, including liquidity constraints, existing market conditions, investor sentiment and regulatory hurdles. For these and other reasons, when an investment is considered to have "matured" or deemed to be a legacy investment, the time to exit is not necessarily predictable and the expected proceeds from such an exit may be substantially different from what was previously thought.

Typically, passive investments provide a more timely opportunity to strengthen financial flexibility. These investments tend to involve lower ownership thresholds than the remainder of the investment portfolio. However, in some cases a passive investment may also share characteristics of a legacy investment. In the case of Union Agriculture Group ("Union Agriculture"), this investment is both a legacy and passive investment. At one time, Union Agriculture was neither. The Company continues to actively explore appropriate opportunities to exit this investment.

During the second quarter of 2016, the Company sold its legacy investment in Long Run Exploration Ltd. ("Long Run") for gross proceeds of $12.0 million. In the third quarter of 2016, the Company disposed of its legacy investment in Stonegate Agricom Ltd. ("Stonegate") for gross proceeds of $1.2 million. Also during the third quarter of 2016 and into the fourth quarter of 2016, the Company sold over 95% of its investment in Independence Contract Drilling, Inc. ("ICD") for gross proceeds of approximately $30 million. From the proceeds of these dispositions, in October, the Company invested $10 million in InPlay Oil Corp. ("InPlay Oil") and $1 million in Corsa Coal Corp. ("Corsa Coal"). In addition, the company repaid its Facility (as defined below) in full on October 13, 2016.

The Company's financial strength is in its net assets and liquid investments. Having a strong capital base is an important element in successfully negotiating investment terms, moving quickly on opportunities and providing financial resiliency during periods of volatility.

The Company's selected financial position as at the date hereof is as follows:

- directly holds cash and cash equivalents of $12.0 million and,
- holds publicly listed securities of $39.8 million.

On September 29, 2015, the Company as the borrower and SRP as the guarantor entered into an amended and restated credit facility ("Facility") with Sprott Resource Lending Corp. ("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 matures 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.

The Company's business model has been to generate gains on the disposition of investments. The sale of mature companies and the resulting gains are inherently irregular. Over the long-term, management believes that generating profits will provide the liquidity to sustain its investment operations, make new investments and support existing investments.

ii. Narrow the discount to NAV

As with any stock, the price of SRC's shares will fluctuate with market conditions and other factors. If shares are sold, the price received may be more or less than the original investment. Although the price of SRC's shares is correlated to its NAV, whether investors will realize gains or losses upon the sale of SRC's shares will not necessarily depend solely on the NAV, but will depend upon the market price of the shares at the time of sale. Since the market price of SRC's shares will be affected by such factors as the relative demand for and supply of the shares in the market, general market and economic conditions and other factors beyond the Company's control, one cannot predict whether the shares will trade at, below or above SRC's NAV. As of the date hereof, SRC's shares are trading at a discount to NAV.

As at September 30, 2016, the discount to NAV was 56.0%, compared to a discount to NAV of 57.7% at December 31, 2015. Management believes that the current discount to NAV is not permanent and that the Company's stock price will again approach its intrinsic value as the energy and mining sectors begin to recover, the Company's liquidity profile improves and private company valuations are further supported by external methods of price discovery.

Management is committed to growing a long-term, supportive shareholder base and believes this commitment will, in time, narrow the discount to NAV. Management continues with the following measures to address SRC's discount to NAV:

a. Simplified and transparent financial and portfolio investment reporting;

b. Regular quarterly investor update calls;

c. Engaging independent third-party expertise to fair value private company holdings (see the *Private Company Valuations* section elsewhere in this MD&A) relieving any perceived bias of the Company's management;

d. Continue the long-term equity incentive plan to increase management's alignment with shareholders of the Company. A portion of compensation historically paid in cash is instead paid in the Company's stock through purchases in the open market;

e. Maintain broad external research coverage of SRC (currently at five research analysts);

f. Further the price discovery process of its private investments;

g. Invest counter-cyclically in out-of-favor commodity sectors; and,

h. Reposition the portfolio to improve liquidity.

iii. Explore capital raising alternatives

The Company continues to explore raising capital. An enhanced capital position will provide the Company with a larger set of investment alternatives to execute on its stated investment strategy.

iv. Grow the value of the investment portfolio

SRC seeks to grow the value of its existing investments by providing active oversight, strategic, financial and operational guidance. It provides the support typical of a cornerstone investor. In addition, it provides direction to its investees' management in the areas of capital markets access, strategic development, long-term growth planning, mentoring, capital structure guidance and systems and process development (see the *Key Investments* section of this MD&A).

v. Continue to partner with management and directors with a proven track record of success

The Company believes that partnering with proven management teams and directors, with expertise in their respective fields and a track record of generating returns for shareholders, will significantly increase an investment's chance of success. In addition, the Company expects management at the investee companies to take substantial equity stakes in their companies. Having management invested in the company creates alignment of interests between key stakeholders. This ability to partner with proven management teams is believed to be a competitive advantage.

The Company's commitment to its partnerships with its investee companies extends to other aspects of the business such as providing strategic guidance to the investee companies through board representation.

vi. Invest in new businesses

The Company continues to evaluate and assess potential investment opportunities weighing the liquidity and return prospects of its current portfolio against the opportunity set of investment returns presented by (i) buying back the Company's stock and (ii) these new investments. However, the Company prioritizes its current liquidity profile and ability to raise capital instead of investing in new business. Commodity markets are highly cyclical in nature. SRC seeks to invest capital when markets are trading at or near cyclical lows or when management believes commodities are inexpensive compared with other industry metrics to reduce the investment risk and help separate the well-run companies from their competitors. SRC's investment approach is driven by an assessment of global economic trends as they relate to various natural resource sectors. Individual commodity markets are investigated to assess short and long-term supply/demand characteristics to determine where and when to allocate capital. This process allows management to seek out specific investments that will benefit the most from favourable trends.

These specific investments are sourced through several channels. The Company, through its own initiatives and through a relationship with SII and its affiliates, continues to build a proprietary deal flow network. SRC's investment professionals continually seek out investment opportunities from a primary network of natural resource companies and their directors and officers. The Company strongly believes that our proprietary deal flow network is a competitive advantage in sourcing early opportunities in the private equity resource sector.

OUTLOOK

The Company is predominately exposed to metallurgical coal, oil and various agricultural commodities. As a result, the Company's portfolio valuations are significantly impacted by commodity price volatility and the USD/CAD (see *Defined Terms* section) foreign exchange rate.

Investor sentiment towards the natural resource sector has improved with some specific commodities experiencing strengthening prices. However, we expect a broader-based recovery to be gradual and characterized by near-term price volatility. We are cognizant that risks remain and that the early stages of a recovery will be fragile. As such, we are proceeding with caution and focusing on investments in the sectors which we believe have the most favourable outlook over our typical three to five year investment horizon.

In order to position the Company's investment portfolio for future growth, one of management's priorities is to exit mature and legacy investments where appropriate. In some cases, this has meant absorbing losses on certain investments in order to generate liquidity necessary to strengthen our balance sheet and deploy capital into new investments that the current management team believes offer superior value creation potential for our shareholders. The Company is pleased with the progress made to date in these efforts and continues to apply this discipline to our existing legacy investments.

Metallurgical coal prices have improved dramatically in 2016, with the benchmark metallurgical coal price increasing by over 200% year-to-date. This recovery is encouraging for SRC's investment in Corsa Coal. Corsa Coal intends to aggressively expand production and sales volumes and capitalize on the current favorable market conditions. Its recent financing is expected to enable Corsa Coal to continue to execute on its growth strategy of developing its fully permitted underground metallurgical coal mines.

Since 2014, global energy prices have been depressed. While we have seen early signs of a recovery in the sector, SRC expects oil prices to remain volatile throughout 2016 and that it will take time for balance to return to the market.

In the current natural resource environment, management remains focused on monetizing mature and legacy investments and helping the existing core portfolio companies to position themselves to emerge from this downturn in the best position to capitalize on the next upswing in the commodities cycle. SRC is currently debt free with cash of approximately $12.0 million. Management is also exploring opportunities to further improve its liquidity profile, reduce SRC's discount to NAV and secure additional capital to take advantage of compelling investment opportunities presented by the depressed natural resources environment.

SRC views the investments it makes along traditional private equity timelines and new investments are entered into with the expectation that they will take between three and five years to mature. Management remains committed to using the tools at its disposal to further reduce the discount between the Company's share price and NAV.

As a long-term investor in resource businesses, the Company is continuously assessing the optimal investment window and required financial commitments to execute purchases and sales. It is the Company's intent to continue to be supportive of its investee companies, however the Company will be opportunistic in its investing strategies even if it means disposing of an investment for a loss during periods of prolonged commodity price declines. For additional information about the investment portfolio, see the *Portfolio Review* and *Key Investments* sections elsewhere in this MD&A.

SELECTED FINANCIAL INFORMATION

NAV and Share Value

	As at				
	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015
NAV (in thousands), based on fair values [1]	**$ 105,683**	$ 94,676	$ 112,484	$ 107,327	$ 135,951
NAV per share, based on fair values [2]	**$ 1.09**	$ 0.98	$ 1.16	$ 1.11	$ 1.41
Closing price per share (TSX:SCP)	**$ 0.48**	$ 0.60	$ 0.48	$ 0.47	$ 0.61
Discount to NAV [3]	**56.0%**	38.8%	58.6%	57.7%	56.7%
Number of common shares issued and outstanding	**96,672,102**	96,672,102	96,672,102	96,672,102	96,703,264

[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 Three-Months Ended		For the Nine-Months Ended	
(in thousands)	**Sept. 30, 2016**	Sept. 30, 2015	**Sept. 30, 2016**	Sept. 30, 2015
Investment gain (loss)	**$ 12,502**	$ (52,787)	**$ 2,860**	$ (85,350)
Expenses	**$ 1,583**	$ 1,812	**$ 4,420**	$ 5,600
Net income (loss) attributable to shareholders	**$ 10,919**	$ (54,599)	**$ (1,560)**	$ (90,944)

Statements of Financial Position

	As at	
(in thousands)	**Sept. 30, 2016**	Dec. 31, 2015
Working capital (deficit) [1]	**$ 10,210**	$ (13,440)
Investments owned, at fair value	**95,473**	120,767
Total equity attributable to shareholders of the Company	**$ 105,683**	$ 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)	**Sept. 30, 2016**		Dec. 31, 2015	
Mining	**39,693**	**41.6%**	9,276	7.7%
Agriculture	**31,044**	**32.4%**	57,243	47.4%
Energy production and services	**24,736**	**25.9%**	54,248	44.9%
Total investments owned, at fair value	**$ 95,473**	**100%**	$ 120,767	100%
Unfunded investment commitments	**$ 11,000**		$ 2,414	

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

INVESTMENT SUMMARY

At September 30, 2016, the Company held 8 investments in three sectors. A summary of the Company's investments at September 30, 2016 is presented below *(in thousands)*.

Industry Sector	***% of NAV*** [1]	***Public/ Private***	***Companies***	***Fair Value, Sept. 30, 2016***	***SRC Ownership (undiluted)***
Energy production and services	23.4%	Public (NYSE)	**Independence Contract Drilling, Inc.** ("ICD") is a U.S. oil services company specializing in the manufacture and operation of oil and natural gas directional drilling	13,406	5.1%
		Private	**InPlay Oil Corp.** ("InPlay Oil")[2] is a company developing a low decline, liquids focused asset base. The company is based in Alberta, Canada.	5,491	19.8%
		Private	**R.I.I. North America Inc.** ("RII") is a Canadian energy technology company.	5,239	15.7%
		Private	**Other** [2] is comprised of a royalty interest in producing oil wells.	600	n/a
Mining	37.6%	Public (TSX-V)	**Corsa Coal Corp.** ("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.	39,362	19.1%
		Public (TSX, TSX-V)	**Other**, is comprised of a publicly listed Canadian company which owns a uranium deposit in southern Virginia, U.S.	331	16.5%
Agriculture	29.4%	Private	**Union Agriculture** Group ("Union Agriculture") is a leading agriculture business operating in Uruguay with vertically integrated operations in crops, specialty crops and livestock.	17,016	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.	14,028	49.98%
				$ 95,473	

[1] *Cash and cash equivalents, trade and other receivables less trade and other payables and amounts owing under the Facility represent 9.7% of NAV*

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

PORTFOLIO REVIEW

Nine-Months Ended September 30, 2016

As at September 30, 2016, the Company's investment portfolio was valued at $95.5 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				
	Sept. 30, 2016			Dec. 31, 2015	
(in thousands except (#))		(#)			(#)
Private positions	$	42,374	5	$ 71,557	6
Public positions		53,099	3	49,210	6
Investment portfolio	$	95,473	8	$ 120,767	12

Private investment positions (44.4% of portfolio)

Private investment positions consist of investments in energy production and services along with agriculture companies with an aggregate value of $42.4 million (December 31, 2015: $71.6 million). The largest investment accounted for 40.2% of the private investment positions at September 30, 2016 (December 31, 2015: 40.8%).

Public investment positions (55.6% of portfolio)

Public investment positions consist of investments in energy production and services along with mining companies with an aggregate value of $53.1 million. The largest investment accounted for 74.1% of the public investment positions at September 30, 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.

Portfolio movement

	For the Nine-Months Ended			
(in thousands)		Sept. 30, 2016		Sept. 30, 2015
Opening investment portfolio, at fair value	$	120,767	$	237,198
New investments		2,661		1,247
Realizations [1]		(30,815)		(4,670)
Portfolio return		2,860		(85,350)
Closing investments portfolio, at fair value	$	95,473	$	148,425

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

New investments

For the nine-months ended September 30, 2016, new investments amounted to $2.7 million compared to $1.2 million for the nine-months ended September 30, 2015. New investments for the nine-months ended September 30, 2016 were comprised solely of a follow-on investment in Corsa Coal of $2.7 million. The Company considered 39 new investment opportunities for the nine-months ended September 30, 2016 (nine-months ended September 30, 2015: 103 new investment opportunities). New investments for the nine-months ended September 30, 2015 were primarily comprised of a committed follow-on royalty investment in Delphi Energy Corp. ("Delphi Energy") of $1.2 million.

Realizations

Realizations for the nine-months ended September 30, 2016 amounted to $30.8 million which were primarily comprised of the gross proceeds received from the disposition of (i) SRC's entire holdings of Long Run ($12.0 million) and (ii) approximately 60% of its investment in ICD ($16.4 million). Realizations for the nine-months ended September 30, 2015 amounted to $4.7 million and were comprised of $0.4 million of dividend income received from Long Run, cash received from the Delphi Energy royalty investment of $0.9 million and gross proceeds of $3.4 million reflecting the disposal of certain passive investments.

	For the Nine-Months Ended	
(in thousands)	**Sept. 30, 2016**	Sept. 30, 2015
Proceeds from investments	**$ (30,744)**	$ (3,441)
Dividends	**—**	(402)
Return of capital - Delphi Energy royalty investment	**(71)**	(827)
Total realizations	**$ (30,815)**	$ (4,670)

Portfolio return

For the nine-months ended September 30, 2016, SRC's investment portfolio increased by $2.9 million, or 2.4% compared to the opening portfolio of $120.8 million comprised primarily of unrealized gains on investments. This return includes unfavourable currency movements of $3.4 million for the nine-months ended September 30, 2016.

	For the Nine-Months Ended			For the Nine-Months Ended		
			Sept. 30, 2016			**Sept. 30, 2015**
(in thousands)	Public	Private	**Total**	Public	Private	**Total**
Net realized gain (loss) on investments	$ (145,744)	$ (48,500)	**$ (194,244)**	$ 160	$ —	**$ 160**
Reversal of previously recorded unrealized loss (gain) on investments[1]	145,744	48,500	**194,244**	(160)	—	**(160)**
Change in unrealized gain (loss) on investments	33,722	(27,493)	**6,229**	(64,671)	(31,187)	**(95,858)**
Change in unrealized foreign exchange gain (loss) on investments	(1,750)	(1,619)	**(3,369)**	4,665	5,441	**10,106**
Dividend, royalty and other income	—	—	**—**	402	—	**402**
Total portfolio gain (loss)	$ 31,972	$ (29,112)	**$ 2,860**	$ (59,604)	$ (25,746)	**$ (85,350)**

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

For the nine-months ended September 30, 2016, the Company recorded a net realized loss of $194.2 million on the disposition of Long Run, One Earth Oil & Gas Inc. ("OEOG"), Potash Ridge Corp. ("Potash Ridge"), Stonegate 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 nine-months ended September 30, 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.

Specifics of the change in unrealized gain on investments for the nine-months ended September 30, 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 September 30, 2016 has approximately $30.4 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 $1.5 million.

Portfolio sectors

The fair value of the investment portfolio is as follows:

(in thousands)	As at				
		Sept. 30, 2016		Dec. 31, 2015	
Mining	$	39,693	41.6% $	9,276	7.7%
Agriculture		31,044	32.4%	57,243	47.4%
Energy production and services		24,736	25.9%	54,248	44.9%
Total investments owned, at fair value	$	95,473	100% $	120,767	100%

Three-Months Ended September 30, 2016

Portfolio movement

(in thousands)	For the Three-Months Ended			
		Sept. 30, 2016		Sept. 30, 2015
Opening investment portfolio, at fair value	$	100,645	$	200,893
New investments		—		532
Realizations [1]		(17,674)		(213)
Portfolio return		12,502		(52,787)
Closing investments portfolio, at fair value	$	95,473	$	148,425

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

New investments

For the three-months ended September 30, 2016, there were no new investments made and for the three-months ended September 30, 2015, there was one new investment made for $0.5 million. The Company considered 22 new investment opportunities for the three-months ended September 30, 2016 (three-months ended September 30, 2015: 27 new investment opportunities).

Realizations

Realizations for the three-months ended September 30, 2016 amounted to $17.7 million which was primarily comprised of the gross proceeds received from the disposition of approximately 60% of SRC's investment in ICD and the full disposition of its investment in Stonegate ($1.2 million). Realizations for the three-months ended September 30, 2015 amounted to $0.2 million and were comprised of certain legacy/passive investments.

(in thousands)	For the Three-Months Ended			
		Sept. 30, 2016		Sept. 30, 2015
Proceeds from investments	$	(17,659)	$	—
Return of capital - Delphi Energy royalty investment		(15)		(213)
Total realizations	$	(17,674)	$	(213)

Portfolio return

For the three-months ended September 30, 2016, SRC's investment portfolio increased by $12.5 million, or 12.4% compared to the opening portfolio of $100.6 million comprised primarily of unrealized gains on investments. This return includes favourable currency movements of $0.2 million for the three-months ended September 30, 2016.

	For the Three-Months Ended		Sept. 30, 2016	For the Three-Months Ended		Sept. 30, 2015
(in thousands)	Public	Private	**Total**	Public	Private	**Total**
Net realized gain (loss) on investments	$ (44,134)	$ —	**$ (44,134)**	$ —	$ —	**$ —**
Reversal of previously recorded unrealized loss (gain) on investments[1]	44,134	—	**44,134**	—	—	**—**
Change in unrealized gain (loss) on investments	18,123	(5,805)	**12,318**	(43,794)	(13,695)	**(57,489)**
Change in unrealized foreign exchange gain (loss) on investments	34	150	**184**	2,073	2,629	**4,702**
Total portfolio gain (loss)	$ 18,157	$ (5,655)	**$ 12,502**	$ (41,721)	$ (11,066)	**$ (52,787)**

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

For the three-months ended September 30, 2016, the Company recorded a net realized loss of $44.1 million on the disposition of ICD and Stonegate. 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 loss for the three-months ended September 30, 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 September 30, 2016 is detailed in the *Operating Results* section elsewhere in this MD&A.

PRIVATE COMPANY VALUATIONS

The Company has several private company investments, the most material of 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 engaged an independent firm to perform an Estimate Valuation report of OEF as at September 30, 2016.

KEY INVESTMENTS

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

Energy production and services

InPlay Oil Corp.

	September 30, 2016	December 31, 2015
Equity ownership [4]	19.8%	19.9%
Fair value	$5,491	$8,602
Fair value per share	$0.30	$0.47
Cost	$23,969	$23,969
Type of investment	Growth capital	Growth capital
External valuation performed in the last 12 months	Yes [2]	Yes [2,3]
Valuation basis	Market transaction	Market and income approaches
Private company discount	No	Yes
Value driver	Exploration and development success	Exploration and development success
	Accretive acquisitions	Accretive acquisitions
	Cash flow netbacks [1]	Cash flow netbacks [1]

[1] *see Non-IFRS Financial Measures and Defined Terms section*

[2] *last completed at December 31, 2015*

[3] *completed at December 31, 2014*

[4] *post-transaction ownership is 10.8%*

Investment background

In June 2014 the Company invested $19.5 million in InPlay Oil, a private energy company based in Calgary, Alberta. The mandate of InPlay Oil is to build a large, low decline rate, liquids focused asset base in Alberta. In December 2014, SRC completed an additional investment of $4.5 million together with other investors, a decision by the Company to support InPlay Oil management to be opportunistic in acquiring future oil properties in the depressed oil price environment.

The Company is invested alongside management, company directors and other significant private equity investors, such as JOG Capital, who will continue to provide support in the future growth of the business. This investment is consistent with SRC's goal of expanding our exposure in Alberta, Canada's leading energy market alongside strong co-investors and proven management.

As previously noted, in October 2016, the Company invested $10 million into subscription receipts of InPlay Oil as part of a proposed transaction that would see InPlay Oil pursue a business combination with Anderson Energy Inc. ("Anderson") (TSX:AND), acquire a strategic asset in their core operating area, raise a total of $70 million in equity financing (the "InPlay Transaction"). Additional information on the InPlay Transaction is presented below.

The InPlay Transaction

On September 19, 2016 InPlay Oil and Anderson announced that they entered into an arrangement agreement dated September 19, 2016 (the "Arrangement Agreement") that provides for the combination of InPlay Oil and Anderson to create a new, well-capitalized, high netback, Cardium focused producer. InPlay Oil also announced that it had entered into an agreement to acquire Cardium light oil assets in the Pembina region of Alberta for total consideration of $47 million, prior to adjustments, comprised of 16.7 million InPlay Oil shares having a deemed value of $5 million and $42 million in cash (the "Asset Acquisition"). In connection with the Arrangement Agreement and Asset Acquisition, InPlay Oil entered into agreements to raise a minimum of $70 million (and maximum $80 million) in gross proceeds by way of a "bought deal" financing of Common Share Subscription Receipts, Canadian Exploration Expense Flow-Through Subscription Receipts and Canadian Development Expense Flow-Through Subscription Receipts (the "InPlay Financing").

Key Attributes of Pro Forma New InPlay Oil, as presented by InPlay Oil and Anderson in their September 19, 2016 press release, are summarized below:

Current production[1]	3,800 BOE/d (see *Defined Terms* section) (67% oil and liquids)
Production decline (next 12 months)	24%
Total Proved reserves[2]	15.6 MM BOE (see *Defined Terms* section)
Total Proved plus probable Reserves	24.1 MM BOE
Total Proved plus probable reserve life index[1,2]	17.3 years
2017 funds flow netback[3]	$17.55/BOE
Total net drilling locations	250 net locations
Undeveloped Land	91,745 net acres
New InPlay Oil shares outstanding[4]	62.3 million
Net Debt[5]	$31 million
Pro Forma Credit Facility	$60 million
Tax Pool Balance	$355 million
Liability Management Rating	>2.5x

1 Based on August 2016 field estimates.

2 Gross working interest reserves before the deduction of any royalties and without including any royalty interests receivable; based on the independent reserves evaluation of InPlay Oil's reserves effective December 31, 2015, prepared by Sproule Associates Limited ("Sproule"), the independent reserves evaluation of Anderson's reserves effective December 31, 2015, prepared by GLJ Petroleum Consultants Ltd., and with respect to the reserves associated with the assets based on an independent cost sensitivity report prepared for InPlay Oil by Sproule which was based on an evaluation prepared by Sproule for the vendor of the Assets effective December 31, 2015. All reserve evaluations were prepared in accordance with the COGE Handbook and National Instrument 51-101.

3 Based on 2017 strip pricing of US$48.50/bbl (see *Defined Terms* section), FX rate of 0.76, Edmonton Par (see *Defined Terms* section) differential of US$3.00/bbl. Funds flow netback is a non-GAAP measure.

4 Assumes completion of the Transactions and the InPlay Financing (prior to any exercise of the over-allotment option granted the underwriters).

5 As estimated at October 31, 2016, including expected severance and transaction costs, and assuming the completion of the Transactions and InPlay Financing (prior to any exercise of the over-allotment option granted the underwriters).

A joint management information circular outlining details of the plan of arrangement and related transactions, as well as details in respect of the pro forma combined entity is accessible on Anderson's SEDAR profile at www.sedar.com.

On October 18, 2016 InPlay Oil and Anderson announced the closing of the InPlay Financing for aggregate gross proceeds of approximately $70.3 million, including the previously noted $10 million investment by the Company.

On November 4, 2016 shareholders of InPlay Oil and Anderson approved the InPlay Transaction including the requisite approval by the Court of Queen's Bench of Alberta with closing expected to occur November 10, 2016.

Major risks

InPlay Oil is an exploration and production ("E&P") company and is exposed to the risks typically associated with other E&P companies. Some of the more significant risks include:

- a prolonged decline in crude oil, natural gas liquids and natural gas and the effect on credit liquidity and access to capital;
- volatility in oil and gas prices;
- uncertainties associated with drilling and well stimulation activities;
- access to adequate bank and equity capital for significant capital investment; 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 InPlay Oil as at September 30, 2016. The previous independent Estimate Valuation report as to the value of the Company's equity interest in InPlay Oil was prepared as at December 31, 2015.

The Company has instead fair valued this investment using the terms of the recently announced InPlay Transaction. The fair value ascribed to the Company's investment in InPlay Oil as at September 30, 2016 is approximately $5.5 million ($0.30 per share), reflecting SRC's current ownership of 19.8%.

R.I.I. North America Inc.

	September 30, 2016	**December 31, 2015**
Equity ownership	15.7%	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 concept Continued access to capital	Proof of production Proof of concept 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. This investment is consistent with SRC's goal of expanding our exposure in Alberta and Saskatchewan, Canada's leading energy markets alongside strong co-investors and proven management.

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 approximately $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 $1.8 million in equity, primarily from existing shareholders at approximately $2.25 per unit (composed of one common share at $2.00 per share and one warrant valued at $0.25 per warrant), and approximately $6.0 million in a zero coupon secured convertible note, which is convertible to common shares at a conversion price $1.25 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 E&P companies. Some of the more significant risks include:

- failure of the STRIP technology;
- economic viability of the STRIP technology;
- 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 September 30, 2016. The Company has instead fair valued this investment relying on the most recent available information provided to investors, discussions with RII management, recent capital raises and publicly available pricing information disclosed by other investors in RII.

The valuation was completed using a going concern basis applying an adjusted recent transaction price approach to determine fair value at September 30, 2016.

RII most recently raised from its major shareholder, $3.0 million in a zero coupon secured convertible note, which is convertible to common shares at a conversion price of $1.25 per share. Prior to this, $1.8 million of capital was raised in the first half of 2016, with over 75% of the capital raised coming from existing shareholders, at approximately $2.25 per unit consisting of one common share valued at $2.00 and one warrant at $0.25. In addition, $3.0 million in a zero coupon secured convertible note, which is convertible to common shares at a conversion price of $1.25 per share, was raised in the first half of 2016 . The Company did not participate in the last two capital raises. The prices at which capital was raised was a significant input in the determination of the fair value of the Company's investment in RII. Most notable was the last capital raise of $3.0 million funded solely by RII's largest shareholder in which SRC did not participate. The Company concluded the pricing of the $1.8 million capital raised in the first half of 2016 to be more representative of the fair value of RII as at September 30, 2016.

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 by applying a discount to the most relevant transaction price.

Agriculture

Union Agriculture Group

	September 30, 2016	December 31, 2015
Equity ownership	6.3%	6.3%
Fair value	$17,016	$29,187
Fair value per share	$5.03	$8.62
Cost	$28,699	$28,699
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 and manages over 139,000 hectares of farmland in Uruguay. Through its subsidiaries Union Agriculture also raises livestock for sale, is 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 grain from more than 100 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$95 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.

During the fiscal year ending June 30, 2016 Union Agriculture undertook the sale of a portion of its agricultural land holdings for proceeds of approximately USD$28 million, and obtained loans from private investors for USD$25 million by extending mortgage guarantees. During and subsequent to the fiscal year ended June 30, 2016 Union Agriculture has continued to manage agreements extending the repayment of its financial debts with banking institutions and revising the terms of certain financing agreements.

As at June 30, 2016, Union Agriculture reported total assets of USD$540 million and total liabilities of USD$220 million resulting in total equity of USD$320 million. Union Agriculture's largest asset is its property, plant and equipment at approximately USD$385 million representing approximately 90% of its assets and over 100% of its total adjusted equity (after adjusting for the land valuation, as discussed hereafter). In June 2016, Deloitte LLP ("Deloitte") carried out an independent appraisal of Union Agriculture's land holdings and valued the market value of the land portfolio at approximately USD$401 million, representing a decrease of approximately 20% 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 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. 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 physical commodity produced on the land, leaving Union Agriculture exposed to future commodity prices. Union Agriculture management indicates that over 85% of their land holdings have now been 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

Union Agriculture's ability to continue as a going concern is dependent upon its ability to access additional sources of capital and, ultimately, achieve profitable operations. Therefore, Union Agriculture's financial condition is subject to a number of risks, including:

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. The continued development of Union Agriculture's business and the acquisition of additional farmland 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, 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.

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 SRC may lose some or all of its investment in Union Agriculture.

Illiquidity of Farmland Assets

Union Agriculture's business is focused on acquiring and operating farmland. 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.

Trade Credit Risk

Union Agriculture is exposed to risks of loss in the event of non-performance by its customers. Union Agriculture has a limited operating history with sales concentrated in a few key customers. Some of Union Agriculture's customers 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.

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 September 30, 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 September 30, 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 September 30, 2016.

Financial information from Union Agriculture's June 30, 2016 unaudited financial statements together with the land values as calculated by Deloitte LLP 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 approximately 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.

	September 30, 2016	**December 31, 2015**
Equity ownership	49.98%	49.98%
Fair value	$14,028	$28,056
Fair value per share	$0.21	$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 Margin expansion Vertical integration	Retail sales growth Margin expansion 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").

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.

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.

Operational update

OEF has had a significant transformation over the past two 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 13,100 head of cattle in cow/calf and feeder operations as at September 30, 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 CPM is one of only four EU certified multi-species 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 the first nine months of 2016 resulting in reduced revenue and a net loss to OEF.

Revenue at OEF for the three months ended September 30, 2016 was approximately $14.9 million compared to $12.7 million for the same period in 2015. The revenue in 2016 includes the sale of certain non-current biological assets (discussed further below). For the nine months ended September 30, 2016 revenue decreased to $38.0 million compared to $42.7 million for the same period in 2015. For the third quarter and year-to-date, 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 $15 million at September 30, 2016 is the combined current and long-term biological assets which are down from $27 million at December 31, 2015. The change in fair value of OEF's biological assets reflects the continuing downward trend of cattle prices from December 31, 2015 along with the sale of certain breeding animals that OEF undertook in the third quarter of 2016.

For the three and nine months ended September 30, 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 for OEF's cattle in the period, losses realized on the sale of certain non-current breeding animals to third parties, and a reduction in fair value for other non-current biological assets.

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 some closing prior to September 30, 2016 and the balance expected to close 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 has 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 has, and will continue to compress 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

Some of the more significant risks associated with OEF include:

- supply chain management
- a rise in the price of inputs
- product pricing and sales volumes
- food safety
- economic dependence of OEF on large accounts

Valuation Approach

As discussed in the *Private Company Valuations* section of this MD&A, the Company engaged an independent external valuator ("Valuator") for its investment in OEF as at September 30, 2016 to prepare an Estimate Valuation report as to the value of the Company's equity interest in OEF. The Estimate Valuation was completed on a going concern basis examining both market transactions and adjusting net assets to their fair values at September 30, 2016.

The Company also completed a valuation using a going concern basis applying an adjusted net assets approach to determine fair value at September 30, 2016. The Company 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 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 September 30, 2016, including the provision of allowances for OEF's goodwill and intangible assets.

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

The fair value assigned by the Company for OEF was corroborated by the Valuator's Estimate Valuation report as at September 30, 2016.

Listed investments

Summary information on the Company's more significant 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) or EDGAR filings and websites but such additional information is not incorporated by reference herein.

(in thousands)	September 30, 2016					
Listed investment	Ticker symbol and stock exchange		Investment Dollars Outstanding [1]		Fair Value	Valuation basis [2]
ICD [3] (in CAD dollars)	ICD: NYSE	$	40,299	$	13,406	closing price
Corsa Coal	CSO: TSX-V	$	40,372	$	39,362	closing price

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

[3] *ICD is a U.S. investment valued in Canadian dollars. The cost in USD was $24.3 million and the fair value as at September 30, 2016 in USD was $10.2 million.*

OPERATING RESULTS

Nine-Months Ended September 30, 2016

Operating results for the nine-months ended September 30, 2016 compared to the nine-months ended September 30, 2015 are presented below.

Investment gain (loss)

	For the Nine-Months Ended	
(in thousands)	**Sept. 30, 2016**	Sept. 30, 2015
Net gain (loss) on investments	**$ 2,860**	$ (85,752)
Dividend, royalty and other income	**—**	402
Investment gain (loss)	**$ 2,860**	$ (85,350)

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 (gain) on investments, (iii) change in unrealized gain (loss) on investments and (iv) change in unrealized foreign exchange gain (loss) on investments.

	For the Nine-Months Ended	
(in thousands)	**Sept. 30, 2016**	Sept. 30, 2015
Net realized gain (loss) on investments	**$ (194,244)**	$ 160
Reversal of previously recorded unrealized loss (gain) on investments[1]	**194,244**	(160)
Change in unrealized gain (loss) on investments	**6,229**	(95,858)
Change in unrealized foreign exchange gain (loss) on investments	**(3,369)**	10,106
Net gain (loss) on investments	**$ 2,860**	$ (85,752)

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

Net realized gain (loss) on investments

Net realized gain (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.

	For the Nine-Months Ended			
(in thousands)	**Sept. 30, 2016**	**#**	Sept. 30, 2015	#
Total realized gains	**$ —**	**—**	$ 379	1
Total realized losses	**(194,244)**	**5**	(219)	2
Total net realized gain (loss) on investments	**$ (194,244)**	**5**	$ 160	3

During the nine-months ended September 30, 2016, the Company disposed of five investments incurring a total realized loss of $194.2 million and are itemized in the following table.

Reversal of previously recorded unrealized loss (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 on investments" and the economics of the transaction are fully captured in "Net realized, gain (loss) on investments".

(in thousands)	For the Nine-Months Ended Sept. 30, 2016	Sept. 30, 2015
Potash Ridge	$ 13,775	$ —
OEOG	48,500	—
Long Run	87,835	—
ICD	19,754	
Stonegate	24,380	
Other	—	(160)
Reversal of previously recorded unrealized loss (gain) on investments[1]	$ 194,244	$ (160)

[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 Nine-Months Ended Sept. 30, 2016	Sept. 30, 2015
Long Run	Public	$ 3,680	$ (27,600)
ICD	Public	(81)	(1,856)
InPlay Oil	Private	(3,111)	(9,517)
RII	Private	—	663
Corsa Coal	Public	30,127	(30,805)
OEF	Private	(14,028)	2,672
Union Agriculture	Private	(10,552)	(5,852)
Other investments	Private/Public	194	(23,563)
Change in unrealized gain (loss) on investments		$ 6,229	$ (95,858)

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 Nine-Months Ended Sept. 30, 2016	Sept. 30, 2015
ICD	$ (1,750)	$ 4,665
Union Agriculture	(1,619)	5,441
Change in unrealized foreign exchange gain (loss) on investments	$ (3,369)	$ 10,106

Expenses

(in thousands)	For the Nine-Months Ended Sept. 30, 2016	Sept. 30, 2015
General and administrative expenses	$ 1,315	$ 1,901
Management fees and compensation	1,664	3,017
Transaction costs	429	59
Finance expense	1,012	623
Total expenses	$ 4,420	$ 5,600

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

(in thousands)	For the Nine-Months Ended Sept. 30, 2016	Sept. 30, 2015
Professional fees	$ 266	$ 288
Public company reporting costs	712	975
Office expenses	337	638
	$ 1,315	$ 1,901

Public company reporting costs includes $230 thousand of director stock-based compensation for the nine-months ended September 30, 2016 (nine-months ended September 30, 2015: $127 thousand). The decrease in professional fees, public company reporting costs and office expenses for the nine-months ended September 30, 2016, compared with the nine-months ended September 30, 2015, reflects the Company's continuing efforts to reduce costs.

The decrease in management fees and compensation costs for the nine-months ended September 30, 2016, compared with the nine-months ended September 30, 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 nine-months ended September 30, 2016 of $171 thousand (nine-months ended September 30, 2015: $185 thousand), in connection with the Company's equity incentive plan that historically was paid as cash compensation.

For the nine-months ended September 30, 2016, transaction costs of $429 thousand were incurred, compared to $59 thousand for the nine-months ended September 30, 2015. For the nine-months ended September 30, 2016, transaction costs were primarily a result of professional fees associated with the Company's continued execution of its 2016 business objectives. 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 nine-months ended September 30, 2016, compared to $623 thousand for the nine-months ended September 30, 2015. The finance expense for the nine-months ended September 30, 2016 was comprised of interest expense on the Facility and a one-time fee resulting from amending the Facility compared to the nine-months ended September 30, 2015 that was fully comprised of interest expense on the Facility. On October 13, 2016, the Company repaid the Facility in full.

Income taxes

For the nine-months ended September 30, 2016 and nine-months ended September 30, 2015, the Company did not report any current or deferred income taxes.

As at September 30, 2016 and September 30, 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 nine-months ended September 30, 2016, the Company reported a net loss attributed to shareholders of $1.6 million ($0.02 loss per share) compared to a net loss attributed to shareholders of $90.9 million ($0.94 loss per share) reported for the nine-months ended September 30, 2015. The components of these amounts are discussed in the explanations provided above.

Three-Months Ended September 30, 2016

Operating results for the three-months ended September 30, 2016 compared to the three-months ended September 30, 2015 are presented below.

Investment gain (loss)

	For the Three-Months Ended	
(in thousands)	**Sept. 30, 2016**	Sept. 30, 2015
Net gain (loss) on investments	**$ 12,502**	$ (52,787)
Investment gain (loss)	**$ 12,502**	$ (52,787)

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)	**Sept. 30, 2016**	Sept. 30, 2015
Net realized gain (loss) on investments	**$ (44,134)**	$ —
Reversal of previously recorded unrealized loss (gain) on investments (excluding the effects of foreign exchange)[1]	**44,134**	—
Change in unrealized gain (loss) on investments	**12,318**	(57,489)
Change in unrealized foreign exchange gain (loss) on investments	**184**	4,702
Net gain (loss) on investments	**$ 12,502**	$ (52,787)

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

Net realized gain (loss) on investments

	For the Three-Months Ended			
(in thousands)	**Sept. 30, 2016**	**#**	Sept. 30, 2015	#
Total realized gains	**$ —**	**—**	$ —	—
Total realized losses	**(44,134)**	**2**	—	—
Total net realized gain (loss) on investments	**$ (44,134)**	**2**	$ —	—

During the three-months ended September 30, 2016, the Company disposed of two investments incurring a total realized loss of $44.1 million and are itemized in the following table.

Reversal of previously recorded unrealized loss (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 gain (loss) on investments".

	For the Three-Months Ended	
(in thousands)	**Sept. 30, 2016**	Sept. 30, 2015
ICD	**$ 19,754**	$ —
Stonegate	**24,380**	—
Reversal of previously recorded unrealized loss (gain) on investments[1]	**$ 44,134**	$ —

[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	**Sept. 30, 2016**	Sept. 30, 2015
Long Run	Public	**$ —**	$ (11,270)
ICD	Public	**(2,204)**	(21,932)
InPlay Oil	Private	**—**	(9,151)
RII	Private	**—**	340
Corsa Coal	Public	**20,468**	(10,663)
OEF	Private	**(1,336)**	668
Union Agriculture	Private	**(4,667)**	(1,309)
Other investments	Private/Public	**57**	(4,172)
Change in unrealized gain (loss) on investments		**$ 12,318**	$ (57,489)

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)	**Sept. 30, 2016**	Sept. 30, 2015
ICD	**$ 34**	$ 2,073
Union Agriculture	**150**	2,629
Change in unrealized foreign exchange gain on investments	**$ 184**	$ 4,702

Expenses

	For the Three-Months Ended	
(in thousands)	**Sept. 30, 2016**	Sept. 30, 2015
General and administrative expenses	**$ 402**	$ 634
Management fees and compensation	**559**	923
Transaction costs	**326**	34
Finance expense	**296**	221
Total expenses	**$ 1,583**	$ 1,812

The composition of G&A expenses is as follows:

	For the Three-Months Ended	
(in thousands)	**Sept. 30, 2016**	Sept. 30, 2015
Professional fees	**$ 128**	$ 88
Public company reporting costs	**205**	334
Office expenses	**69**	212
	$ 402	$ 634

Public company reporting costs includes $59 thousand of director stock-based compensation for the three-months ended September 30, 2016 (three-months ended September 30, 2015: $37 thousand). The decrease in public company reporting costs and office expenses for the three-months ended September 30, 2016, compared with the three-months ended September 30, 2015, reflects the Company's continuing efforts to reduce costs.

The decrease in management fees and compensation costs for the three-months ended September 30, 2016, compared with the three-months ended September 30, 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 September 30, 2016 of $12 thousand (three-months ended September 30, 2015: $151 thousand), in connection with the Company's equity incentive plan that historically was paid as cash compensation.

For the three-months ended September 30, 2016, transaction costs of $326 thousand were incurred, compared to $34 thousand for the three-months ended September 30, 2015. 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 $296 thousand for the three-months ended September 30, 2016, compared to $221 thousand for the three-months ended September 30, 2015. The finance expense for the three-months ended September 30, 2016 and the three-months ended September 30, 2015 was fully comprised of interest expense on the Facility. On October 13, 2016, the Company repaid the Facility in full.

Income taxes

For the three-months ended September 30, 2016 and three-months ended September 30, 2015, the Company did not report any current or deferred income taxes.

Net income (loss) and comprehensive income (loss)

For the three-months ended September 30, 2016, the Company reported net income and comprehensive income of $10.9 million ($0.11 earnings per share) compared to a net loss and comprehensive loss of $54.6 million ($0.56 loss per share) reported for the three-months ended September 30, 2015. The components of these amounts are discussed in the explanations provided above.

Statement of Financial Position

Assets

(in thousands)	As at Sept. 30, 2016	As at Dec. 31, 2015
Cash and cash equivalents	$ 10,249	$ 674
Trade and other receivables	9,627	173
Investments owned, at fair value	95,473	120,767
Total assets	$ 115,349	$ 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.

Included in Trade and other receivables is $9.4 million of cash proceeds from the partial disposition of its investment in ICD which was received subsequent to September 30, 2016.

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 Sept. 30, 2016	As at Dec. 31, 2015
Trade and other payables	$ 1,596	$ 666
Credit facility	8,070	13,621
Total liabilities	$ 9,666	$ 14,287

Included in trade and other payables as at September 30, 2016 are management fees payable to SCLP of $0.5 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. As of September 30, 2016, the outstanding balance of the Facility is $8.1 million (December 31, 2015: $13.6 million), which includes nominal capitalized interest (December 31, 2015: $0.9 million). During the nine-months ended September 30, 2016 the Company repaid $1.8 million of interest (December 31, 2015: $nil). 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 Sept. 30, 2016	As at Dec. 31, 2015
Cash and cash equivalents, trade and other receivables	$ 19,876	$ 847
Liabilities	(9,666)	(14,287)
Working capital (deficit)	$ 10,210	$ (13,440)

As at September 30, 2016, the Company had working capital of $10.2 million together with commitments to invest of $11 million (December 31, 2015: working capital deficit of $13.4 million in addition to a commitment to invest of $2.4 million). For additional information, see the *Financing Activities by the Company* section elsewhere in this MD&A.

NAV per share

	As at				
	Sept. 30, 2016	**Jun. 30, 2016**	**Mar. 31, 2016**	**Dec. 31, 2015**	**Sept. 30, 2015**
NAV per share, based on fair values	**$ 1.09**	$ 0.98	$ 1.16	$ 1.11	$ 1.41

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

Major cash flow components

	For the Nine-Months Ended	
(in thousands)	**Sept. 30, 2016**	Sept. 30, 2015
Cash flows from operating activities		
Net loss attributable to shareholders	**$ (1,560)**	$ (90,944)
Items not affecting cash		
Net loss (gain) on investments	**(2,860)**	85,752
Stock-based compensation	**396**	421
Other	**—**	(32)
	(4,024)	(4,803)
Purchase of investments	**(2,661)**	(1,215)
Sale of investments	**21,381**	4,268
Changes in non-cash operating working capital		
Trade and other receivables	**(20)**	1,654
Trade and other payables	**930**	(2,722)
Accrued interest on credit facility	**(920)**	623
	18,710	2,608
Cash provided by (used in) operating activities	**14,686**	(2,195)
Cash flows from financing activities		
Proceeds from credit facility	**4,500**	3,500
Repayments of credit facility	**(9,131)**	—
Acquisition of treasury stock	**(480)**	(430)
Normal course issuer bid	**—**	(827)
Cash (used in) provided by financing activities	**(5,111)**	2,243
Change in cash and cash equivalents	**9,575**	48
Cash and cash equivalents - Beginning of year	**674**	1,713
Cash and cash equivalents - End of period	**$ 10,249**	$ 1,761

For the nine-months ended September 30, 2016, the Company recorded a net loss of $1.6 million. Items not affecting cash totaled $2.5 million and together with net sales of investments of $18.7 million and a decrease in non-cash operating working capital of $10 thousand, the Company reported cash provided by operating activities of the Company of $14.7 million.

For the nine-months ended September 30, 2015, the Company recorded a net loss of $90.9 million. Items not affecting cash totaled $86.1 million and together with net sales of investments of $3.1 million and a decrease in non-cash operating working capital of $0.4 million, the Company reported cash used in operating activities of the Company of $2.2 million.

For the nine-months ended September 30, 2016, cash used for financing activities totaled $5.1 million compared to cash provided by financing activities of $2.2 million for the nine-months ended September 30, 2015. For the nine-months ended September 30, 2016, cash used for financing activities comprised of funds drawn on the Facility of $4.5 million, repayments of the Facility of $9.1 million and the purchase of common shares for the equity incentive plan of $0.5 million.

For the nine-months ended September 30, 2015, cash provided by financing activities of $2.2 million comprised of funds drawn on the Facility of $3.5 million, the purchase of common shares for the equity incentive plan of $0.4 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 September 30, 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 matures 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 accrues daily at 8% per annum, compounded monthly. All obligations of the Company under the Facility was unconditionally guaranteed by SRP. As at September 30, 2016, the Company was in compliance with all covenants of the Facility.

As of September 30, 2016, the outstanding balance of the Facility was $8.1 million (December 31, 2015: $13.6 million), which included nominal capitalized interest (December 31, 2015: $0.9 million). During the nine-months ended September 30, 2016 the Company repaid $1.8 million of interest (December 31, 2015: $nil). On October 13, 2016, the Company repaid the Facility in full.

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 September 30, 2016 and the date hereof.

(in thousands except Number Issued and Outstanding)	**Number Issued and Outstanding**		**Amount**
Balance - December 31, 2015, September 30, 2016 and November 7, 2016	**96,672,102**	**$**	**280,902**

Outstanding stock options:

The Company did not grant any stock options subsequent to 2012 and there are no current plans to grant stock options to the directors and officers in the future. There are 160,000 stock options outstanding as at November 7, 2016 expiring in 2017 at exercise prices ranging from $4.00 to $4.07 per common share.

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 nine-months ended September 30, 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 "Trust") for employees and directors of the Company. The Trust has been established and the Company funded the Trust with cash, which will be used by the 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.

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 in 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 849 thousand common shares for the nine-months ended September 30, 2016 (for the year ended December 31, 2015: 718 thousand common shares). During the nine-months ended September 30, 2016, an additional 199 thousand common shares were released on vesting from the equity incentive plan.

COMMITMENTS - PAYMENTS DUE BY PERIOD (as at November 7, 2016)

	Commitments Payments Due by Period				
(in thousands)	**Total**	< 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
Financial liabilities *(a)*	**$ 2,172**	$ 2,172	$ —	$ —	$ —
Facility *(b)*	**—**	—	—	—	—
Total	**$ 2,172**	$ 2,172	$ —	$ —	$ —

(a) Financial liabilities

The Company has financial liabilities due within one year. For additional information, see Liabilities under the *Operating Results* section of this MD&A.

(b) Facility

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.

(c) SRC Management Services Agreement ("MSA")

SRC invests and operates in the natural resource sector through SRP. Substantially all of the holdings of SRC are held by SRP. The only assets not held by SRP are those assets necessary to administer the (i) public company and (ii) equity incentive plan of the Company. SRC owns nearly all of SRP (approximately 99.99%), other than the managing partnership interest owned by the Managing Partner (approximately 0.01%).

The Managing Partner has 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 SRC, and subject to certain limits on authority established from time to time by the Board of SRC.

The Managing Partner holds 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 Partnership Agreement) approved by no less than two thirds of the votes cast by the holders of the voting partnership units who vote on the resolution. 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 nine-months ended September 30, 2016.

Management fees and employment compensation pursuant to the MSA for the nine-months ended September 30, 2016 were $1.7 million (nine-months ended September 30, 2015: $3.0 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 September 30, 2016, there was $0.5 million (December 31, 2015: $0.2 million) payable to SCLP for management fees calculated pursuant to the 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 date 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 PERFORMANCE HURDLE

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 remains unchanged after adopting the IFRS Amendments. The calculation will continue to be 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 September 30, 2016, the reported NAV at June 30, 2016 of $94.7 million was used together with the NAV reported at September 30, 2016 of $105.7 million. Management fees are calculated quarterly based on the average NAV of the current quarter and the prior quarter.

Profit distribution

The adoption of the IFRS Amendments required management to recalculate the Profit Distribution hurdle in order to maintain the spirit of the Partnership Agreement and not penalize SRC shareholders or SCLP because of accounting standards. This recalculation was completed by management and presented to the Board for approval.

The Company's estimate of the Hurdle (see *Defined Terms* section) as at September 30, 2016 is significant.

The last Profit Distribution paid was calculated at December 31, 2012. This resulted in a "reset" of the Hurdle and management's assessment of the restated Hurdle is calculated using December 31, 2012 as the start date.

SUMMARY OF QUARTERLY RESULTS

	2016			2015				2014
(in thousands, except per share amounts)	**Sept**	Jun	Mar	Dec	Sept	Jun	Mar	Dec
Investment gain (loss)	**$ 2,860**	$ (9,644)	$ 6,498	$ (26,201)	$ (52,787)	$ (8,590)	$ (23,973)	$(130,119)
Net gain (loss) attributable to shareholders	**$ (1,560)**	$ (12,481)	$ 5,035	$ (28,549)	$ (54,599)	$ (10,428)	$ (25,918)	$(137,864)
Basic and diluted earnings (loss) per share	**$ (0.02)**	$ (0.13)	$ 0.05	$ (0.30)	$ (0.56)	$ (0.11)	$ (0.27)	$ (1.41)

The Company is not impacted materially by seasonality.

RISK MANAGEMENT

Financial risk management

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

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, and the Company's investments expose it to this risk. Market risk includes interest rate risk, foreign currency risk and other price risk such as commodity price risk. The sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice, this is unlikely to occur, and changes in some of the factors may be correlated - for example, changes in interest rates and changes in foreign currency rates.

Interest Rate Risk

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 the interest rate is fixed over the term of the Facility.

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

As at September 30, 2016, the Company had a Facility with a carrying value of $8.1 million (December 31, 2015: $13.6 million). On October 13, 2016, the Company repaid the Facility in full.

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 underlying investments. These risks are monitored and evaluated for their effects on cash flows and the benefits of hedging strategies are continuously reviewed.

As at September 30, 2016, approximately $30.4 million or 26.4% (December 31, 2015: $66.1 million or 54.3%) of total assets were invested in investments priced in USD. As at September 30, 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 three and nine-months ended September 30, 2016 would have amounted to approximately $1.5 million (for the year-ended December 31, 2015: $3.3 million).

Price Risk

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

As at September 30, 2016, a 10% increase/decrease in the value of all public equity and private market investments would result in an approximate increase/decrease in the value of public and private market exposure and an unrealized gain/loss in the amount of $9.5 million.

Commodity Price Risk

Commodity price risk is the risk that the fair values or cash flows associated with the Company's investments will vary due to changes in the prices of a particular commodity, e.g. oil, natural gas liquids, natural gas, agricultural crops or livestock. The Company's investee companies may engage in various programs to mitigate exposure to commodity price risk.

The Company is exposed to commodity price risk in respect of several of its investments since their revenues are dependent on the market price of petroleum, natural gas or agricultural products. The price of these commodities is volatile and subject to fluctuations that may have a significant effect on the ability of the investee companies to meet their obligations, capital spending targets or commitments, and expected operational results which in turn impacts their fair values as recorded by the Company.

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. The Company sold securities during and after the three-months ended September 30, 2016 generating substantial liquidity (see Note 14, *Subsequent Events*). For additional information, see the *Financing Activities by the Company* section elsewhere in this MD&A.

The Company invests in securities of 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 September 30, 2016 are listed in the *Commitments* section elsewhere in this MD&A.

Concentration Risk

Concentration risk is the risk that any single or group of exposures will have the potential to produce losses large enough to threaten the ability of an entity to continue operating as a going concern. The Company's investment portfolio concentration as at September 30, 2016 is included in the *Key Investments* section elsewhere in this MD&A.

Operational risk

This category encompasses a number of risks. The Company follows prudent industry practices with respect to insurance where practicable and as guided by external experts, but cannot fully insure against all risks. With respect to non-insurable operating risks, management has designed business process controls and accountability to identify problems at the earliest possible occasion and implement solutions. However, investors must appreciate that operational risk is very much a characteristic of the individual businesses and industries and can never be entirely eliminated.

Staffing

The Company operates in a very competitive environment for professional staff and this staff is critical to the organization's ultimate success. Recognizing this, the Company has developed an industry competitive, compensation program including bonuses based on annual performance, benefits and a long-term incentive program to provide for long-term incentive and retention.

SRC common shares

The market price of the Company's common shares could fluctuate significantly as a result of many factors, including the following:

- economic and stock market conditions generally and specifically as they may impact participants in the investment fund industry;
- our earnings and results of operations and other developments affecting the business;
- changes in financial estimates and recommendations by securities analysts following SRC's common shares;
- earnings and other announcements by, and changes in market evaluations of, participants in the investment fund industry;
- changes in business or regulatory conditions affecting participants in the investment fund industry; and
- trading volume of SRC's common shares.

In addition, the financial markets have experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance of such companies. Accordingly, the market price of the Company's common shares may decline even if SRC's operating results or prospects have not changed.

Confidentiality of Information

Confidentiality is essential to the success of the Company's business, and it strives to consistently maintain the highest standards of trust, integrity and professionalism. Information is kept under strict control in compliance with all applicable laws, and physical, procedural, and electronic safeguards are maintained in order to protect this information from access by unauthorized parties.

Conflicts of Interest

The Company has a number of policies with respect to employee personal trading. Employees may not trade any of the securities held or being considered for investment by the Company. In addition, employees must receive prior approval before they are permitted to buy or sell any securities. Speculative trading is strongly discouraged. All employees must comply with the Company's Code of Ethics. The code establishes strict rules for professional conduct including the management of conflicts of interest. The Company also has a standing Conflict Resolution Committee composed solely of the independent directors of the Company. The Conflict Resolution Committee is responsible for making recommendations to the Board regarding matters in respect of which those members of the Board who are nominees of SII, may have a conflict of interest due to their relationship with SII.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company has designed or caused to be designed under management's supervision, disclosure controls and procedures that provide reasonable assurance that (i) material information relating to the Company is made known to management by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual and interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. In conducting this evaluation, management has considered, among other things, the corporate charter and policies of the Company, including the Company's disclosure policy.

Management is also responsible for the fact that internal controls over financial reporting are designed, or caused to be designed under management's supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company has engaged an independent advisory and accounting firm to assist management in conducting the evaluation and suggest best practices when they are not being applied and also to test the key controls within the material financial cycles. This evaluation is done under the supervision of, and with the participation of the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO").

Although the officers of the Company do not expect that the disclosure controls and procedures of internal controls over financial reporting will prevent all errors and fraud, based on their evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures and internal controls over financial reporting are effectively designed for the three-months ended September 30, 2016. There were no significant changes in the Company's internal controls over financial reporting that occurred during the three-months ended September 30, 2016, that have materially affected, or are reasonably likely to have materially affected, the Company's internal controls over financial reporting. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

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.

NON-IFRS FINANCIAL MEASURES

This MD&A uses the terms "NAV", "NAV per share", "Working Capital", "Discount to NAV", and "Cash Flow Netbacks" 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 Strategy" 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) generation of long-term superior returns on capital, risk management and wealth preservation; (ii) SRC's four key business objectives, the strategies it is undertaking to accomplish such objectives and the anticipated benefits from such objectives; (iii) expectations regarding monetizations of investments; (iv) management's belief that generating profits will provide the liquidity to sustain its investment operations, make new investments and support existing investments; (v) the anticipated benefits of an enhanced capital position; (vi) management's belief that the current discount to NAV is not permanent and the Company's stock price will again approach intrinsic value as the energy and mining sectors begin to recover, the Company's liquidity profile improves and private company valuations are further supported by external methods of price discovery; (vii) measures employed to narrow the discount to NAV; (viii) the anticipated benefits of an enhanced capital position; (ix)expectations with respect to the natural resource sector and its recovery; (x)Corsa Coal's intention to aggressively expand production and sales volumes and capitalize on the current favourable market conditions and the expected benefits of Corsa Coal's recent financing; (xi)expectations with respect to oil prices; (xii) management's focus on monetizing mature investments and helping the existing portfolio companies to position themselves to emerge from the downturn in the best position to capitalize on the next upswing in the commodities cycle; (xiii) the company's intent to continue to be supportive of its investee companies; (xiv) expectations regarding the InPlay Transaction; (xv) value drivers of the Company's investments; (xvi) the Company's goal of expanding its exposure in Alberta and Saskatchewan; (xvii) expectations regarding Union Agriculture's change in business model; (xviii) Union Agriculture's continued trading and logistic activities and the benefits therefrom; (xix) future financing of Union Agriculture's activities; (xx) the consequences of increased use of third-party cattle by OEF; (xxi) the potential for increased oil, gas and coal prices and recovery in those sectors; (xxii) the investee companies' oil and natural gas reserves; and (xxiii) 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; (iv) the ability to obtain financing on acceptable terms will continue to be available; 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 land contract drilling industry in general (e.g., dependence on the oil and gas industry; construction delays; the inability to secure rig contracts and loss of customers; and operational hazards); (vi) 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); (vii) 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); (viii) 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); (ix) the uncertainty of reserves and resources; (x) changes in environmental and other regulations; (xi) the ability of SRC to repurchase its securities will be limited by applicable corporate law; (xii) those risks disclosed herein under the heading "Major Risks" with respect to each of the Company's key investments; (xiii) those risks disclosed herein under the heading "Risk Management"; and (xiv) those risks described under the heading "Risk Factors" in SRC's AIF dated March 6, 2016. 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.
- "**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 Long Run, Calgary Sinoenergy Investment Corp. and the Long Run securityholders.
- "**bbl**" means a unit of volume for crude oil and petroleum products. One barrel or bbl equals 42 US gallons or 35 UK (imperial) gallons, or approximately 159 liters.
- "**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.
- "**BOE**" means barrel of oil equivalent.
- "**BOE/d**" means barrel of oil equivalent per day.
- "**CAD**" means Canadian dollar(s).
- "**CEO**" means Chief Executive Officer.
- "**CFO**" means Chief Financial Officer.
- "**CPM**" means Canadian Premium Meats Inc.
- "**Cash Flow Netbacks**" means oil and gas sales, less royalties, production costs, general and administrative expenses, interest expense, realized derivative gains and losses, and transaction costs calculated on a per BOE basis.
- "**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.
- "**Deloitte**" means Deloitte LLP.
- "**Delphi Energy**" means Delphi Energy Corp.
- "**Diamond Willow Organics**" 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
- "**E&P**" means a company in the business of providing exploration and production services.
- "**Edmonton Par**" means the benchmark for conventionally produced light sweet crude for western Canada.
- "**EOR**" means enhanced oil recovery.
- "**EPSP**" means the employee profit sharing plan of the Company.
- "**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 unaudited condensed interim consolidated financial statements for the nine-months ended

September 30, 2016 and 2015, including the notes thereon.

- **"G&A"** means general and administrative expenses.
- **"Hurdle"** means (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.
- **"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.
- **"Index"** means the Canadian 30-Year Generic Bond Index (up to a maximum of 12%).
- **"InPlay Oil"** means InPlay Oil Corp., a Canadian private energy company based in Calgary, Alberta.
- **"Long Run"** means Long Run Exploration Ltd., a Canadian public 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 net asset value.
- **"NAV per share"** means the Company's NAV divided by the number of the Company's common shares that are issued and outstanding.
- **"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.
- **"OSC"** means the Ontario Securities Commission.
- **"Partnership Agreement"** means the amended and restated partnership agreement between SRC and the Managing Partner.
- **"PHP"** means Prairie Heritage Producers.
- **"Preliminary Prospectus"** means Union Agriculture's October 16, 2015 filing of a non-offering preliminary prospectus.
- **"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.
- **"SII"** means Sprott Inc., and its subsidiaries and affiliates
- **"SRC"** means Sprott Resource Corp. 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.
- **"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.
- "**Trust**" means the Company's equity incentive plan (also see EPSP).
- "**TSX**" means the Toronto Stock Exchange.
- "**Union Agriculture**" means Union Agriculture Group, a private agriculture business operating in Uruguay with vertically integrated operations in crops, specialty crops and livestock.
- "**USD**" means United States dollar(s).
- "**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, including the Company's AIF, is available for viewing on SEDAR at www.SEDAR.com and on the Company's website at www.sprottresource.com.