



**SPROTT RESOURCE HOLDINGS INC.**  
Annual Information Form

March 29, 2018

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## GENERAL INFORMATION

This is the annual information form ("AIF") for Sprott Resource Holdings Inc. (referred to in this AIF as the "**Company**" or "**SRHI**"). All amounts that are presented in this AIF are in Canadian dollars unless noted otherwise. The information in this AIF is presented as at December 31, 2017 unless otherwise indicated.

## SCIENTIFIC AND TECHNICAL INFORMATION

Scientific or technical information in this AIF relating to MTV is based on information prepared by Michael G. Hester, Vice President, IMC, M.S. Mining Engineering; Gabriel Vera, President, GVMetallurgy, Metallurgical Engineer; and Enrique D. Quiroga Vega, Mining Engineer, Q & Q Ltda., each an independent "Qualified Person" as such term is defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("**NI 43-101**"), and included in the technical report filed in respect of MTV on March 29, 2018 (the "**MTV Technical Report**").

A "Qualified Person" means an individual who is an engineer or geoscientist with a university degree, or equivalent accreditation, in an area of geosciences or engineering, relating to mineral exploration or mining, with at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these, that is relevant to his or her area of professional degree or area of practice; has experience relevant to the subject matter of the mineral project and the technical report; and is in good standing of a professional association that is relevant to his or her professional degree or area of practice.

The MTV Technical Report has been filed under the Company's profile on SEDAR and can be found at [www.sedar.com](http://www.sedar.com). Readers are encouraged to read the report in its entirety.

## FORWARD-LOOKING INFORMATION AND STATEMENTS

This AIF contains certain forward-looking information and statements (collectively referred to herein as the "**Forward-Looking Statements**") within the meaning of applicable securities laws. In some cases, words such as "plans", "expect", "project", "intends", "believe", "anticipate", "estimate", "may", "will", "should", "continue", "potential", "proposed" and other similar words, or statements that certain events or conditions "should", "may" or "will" occur, are intended to identify Forward-Looking Statements. The Forward-Looking Statements herein are based upon the internal expectations, estimates, projections, assumptions and beliefs of the Company as of the date of such information or statements (or with respect to Forward-Looking Statements herein concerning Investments (as defined below) that are public companies, are based upon the publicly disclosed internal expectations, estimates, projections, assumptions and beliefs of the Investment as of the date of such disclosure by the Investment), including, among other things, assumptions with respect to production, future capital expenditures and cash flows. The reader is cautioned that the expectations, estimates, projections, assumptions and/or beliefs used in the preparation of such information may prove to be incorrect. The Forward-Looking Statements included in this AIF are not guarantees of future performance and should not be unduly relied upon. Such information and statements, including the assumptions made in respect thereof, involve known and unknown risks, uncertainties and other factors, which may cause actual results or events to differ materially from those anticipated in the Forward-Looking Statements. In addition, this AIF may contain Forward-Looking Statements attributed to third-party industry sources. The Forward-Looking Statements contained in this AIF speak only as of the date of this AIF unless an alternative date is otherwise expressly identified herein.

The Forward-Looking Statements contained in this AIF are expressly qualified by the cautionary statements provided for herein. The Company does not assume any obligation to publicly update or revise any of the included Forward-Looking Statements after the date of this AIF, whether as a result of new information, future events or otherwise, except as may be expressly required by applicable securities laws.

Forward-Looking Statements contained in this AIF include, but are not limited to, statements with respect to:

- the Company's investment strategy, investment process and competitive advantage;
- valuations in the natural resource sector;
- growth expectations and opportunities;
- supply and demand for commodities and commodity prices;

- mineral resource and mineral reserve estimates; and
- expectations regarding the development of mineral resources and the increase or decrease in demand for mineral resources, including copper, in 2018 onwards.

Although the Company believes the expectations, estimates, projections, assumptions and beliefs reflected in the Forward-Looking Statements are reasonable, undue reliance should not be placed on Forward-Looking Statements because the Company can give no assurance that such expectations, estimates, projections, assumptions and beliefs will prove to be correct. The Company cannot guarantee future results, levels of activity, performance or achievements. Consequently, there is no representation by the Company that actual results achieved will be the same in whole or in part as those set out in the Forward-Looking Statements. Some of the risks and other factors, some of which are beyond the control of the Company, that could cause results to differ materially from those expressed in the Forward-Looking Statements contained in this AIF, include, but are not limited to:

- general economic conditions in Canada, the United States, Chile and globally;
- industry conditions, including fluctuations in the price of copper, oil and gas, coal and other natural resources;
- liabilities inherent in mining operations, oil and gas operations, mineral exploration and development, and the food industry;
- governmental regulation of the mining industry, oil and gas industry and the food industry, including environmental regulation and applicable tax and royalty regimes;
- geological, technical, drilling and processing problems and other difficulties in producing oil and gas reserves; and
- the other "risk factors" disclosed in, or incorporated by reference into, this AIF.

With respect to Forward-Looking Statements contained in this AIF, the Company has made the following assumptions, amongst others: the continued availability of quality management; the effects of regulation and tax laws of governmental agencies will not materially change; the ability to obtain financing on acceptable terms will be available; and the regulatory frameworks that govern royalties, tax and environmental matters in the countries in which the Company's investees conduct business will remain favourable.

The above summary of assumptions and risks related to Forward-Looking Statements has been provided in this AIF in order to provide readers with a more complete perspective on the future operations of the Company and its subsidiaries. Readers are cautioned that such Forward-Looking Statements may not be appropriate for other purposes.

## PUBLIC DISCLOSURE BY INVESTMENTS

Disclosure included in this AIF regarding the Company's publicly-traded Investments (as defined below) has been derived from documents filed with the Canadian securities regulatory authorities by or on behalf of such Investments (see "*Company Overview*" for a list of such Investments). We encourage you to consult our publicly-traded Investments' disclosure documents, which are available under their respective profiles on SEDAR at [www.sedar.com](http://www.sedar.com) but no such documents or their contents, however, shall be deemed to be incorporated by reference into this AIF unless specifically otherwise noted in this AIF. While the Company has no reason to believe that any such documents contain a misrepresentation, the Company does not assume liability for any disclosure incorporated by reference herein or included herein which has been derived from such disclosure by the Investments. For the avoidance of doubt, nothing stated in this paragraph operates to relieve the Company from liability for any misrepresentation contained in this document under applicable Canadian securities laws.

## COMPANY OVERVIEW

SRHI is a publicly-listed diversified resource holding company focused on holding businesses in the natural resource industry. Based in Toronto, SRHI is a member of the Sprott Group of Companies and is managed by a team of leading resource investment professionals. SRHI takes an active role in the businesses in which it operates and is committed to being a high-value partner to the management teams it backs and the co-investors who invest alongside SRHI.

As at December 31, 2017, the Company held seven investments (each an "**Investment**" and collectively, the "**Investments**") in three industry sectors: (i) mining (the "**Mining Sector**"); (ii) energy exploration, production and services (the "**Energy Sector**"); and (iii) agriculture (the "**Agriculture Sector**").

As at December 31, 2017, the Company's investment portfolio was valued at \$115.4 million (December 31, 2016: \$100.7 million).

A summary of the Company's Investments at December 31, 2017 is presented below (*in thousands*).

| <b>Industry Sector</b>         | <b>% of NAV<sup>1</sup></b> | <b>Public/Private</b> | <b>Companies</b>   | <b>Fair Value, Dec. 31, 2017</b> | <b>SRHI Ownership (undiluted)</b> |
|--------------------------------|-----------------------------|-----------------------|--|----------------------------------|-----------------------------------|
| Mining                         | 60.4%                       | Public (TSX-V)        | <b>Corsa Coal Corp.</b> <sup>2</sup> (" <b>Corsa Coal</b> ") 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. | \$ 33,302                        | 17.2%                             |
|                                |                             | Public (TSX-V)        | <b>Virginia Energy Resources Inc.</b> (" <b>Virginia Energy</b> ") is a Canadian company which owns a uranium deposit in southern Virginia, U.S.   | 1,133                            | 16.5%                             |
|                                |                             | Private               | <b>Minera Tres Valles SpA</b> <sup>2</sup> (" <b>MTV</b> ") is a fully permitted and operating copper mine located near Salamanca in Region IV of Chile.   | 50,054                           | 70.0%                             |
|                                |                             | Private               | <b>Lac Otelnuk Mining Ltd.</b> (" <b>LOM</b> ") is a Canadian company which was established to explore the Lac Otelnuk iron ore property in Quebec.  | 6,517                            | 40.0%                             |
| Energy production and services | 10.1%                       | Public (TSX)          | <b>InPlay Oil Corp.</b> <sup>2</sup> (" <b>InPlay Oil</b> ") is a growth-oriented, light oil development and production company, focusing in the Pembina area of Central Alberta.  | 13,769                           | 11.3%                             |
|                                |                             | Private               | <b>R.I.I. North America Inc.</b> (" <b>R.I.I.</b> ") is a Canadian energy technology company.  | 1,419                            | 14.8%                             |
| Agriculture                    | 6.1%                        | Private               | <b>Beretta Farms Inc.</b> (" <b>Beretta Farms</b> ") is a Toronto, Canada based vertically integrated food business focused on natural and organic protein-based food production and retail.   | 9,218                            | 50.0%                             |
|                                |                             |                       |  | <b>\$ 115,412</b>                |                                   |

Notes:

(1) Cash and cash equivalents, trade and other receivables less total liabilities represent \$35.3 million or 23.4% of net asset value.

(2) An investment initiated by the current management team.

## Investment Strategy

The Company's management team looks for investment opportunities where the Company can effectively deploy its capital to generate maximum returns on its investments at acceptable levels of risk. The Company has a proven track record of partnering with experienced management teams and co-investment partners, and is committed to the successful growth of the companies in which it invests.

The Company's investment decisions are guided by a set of core beliefs including: (i) enhanced returns come from patience and commitment; (ii) successful investing requires contrarian behaviour; and (iii) an alignment of interests between management and shareholders is crucial. Applying its set of core beliefs, the Company currently seeks investment opportunities in sectors and companies where, amongst other things:

- a potential exists for reasonable returns at current commodity prices and significant returns upon recovery of the pertinent sector;
- top quality, experienced management teams are also equity investors in the business themselves thereby aligning interests;
- operations are in politically and economically stable jurisdictions that have good investment climates and enforceable contracts; and
- scalable assets and opportunities to finance on an accretive basis with development capital in place are present.

The natural resource sector is exceptionally cyclical in nature. As natural resource investors, the SRHI portfolio is subject to changing valuations that reflect the various stages of the natural resource cycle. This cyclical nature also impacts the timing of the Company's investments. The Company's goal is to deploy capital counter-cyclically into out of favour commodities. As a result, the Company's greatest opportunities tend to arise during the low points in the commodities cycle.

## Investment Process

The Company employs a four pillared investment process. The steps in this process are as follows:

1. Identify high-quality assets in stable political jurisdictions;
2. Secure compelling valuations;
3. Partner with high-quality management teams; and
4. Ensure there is adequate capital in place to continue the growth of the business.

## Competitive Advantage

The Company is managed by an experienced team of professionals with substantial expertise in natural resource investing. The Company's management team is well positioned to draw upon the considerable expertise and resources of both its board of directors (the "**Board**") and the Sprott Group of Companies. Pursuant to a management services agreement between the Company and Sprott Consulting Limited Partnership ("**SCLP**"), of which Sprott Inc. ("**SII**") is the sole limited partner, SCLP provides day-to-day business management for the Company as well as other management and administrative services (see "*Material Contracts - Management Services Agreement*"). Such arrangement provides the Company with access to the proprietary deal network and relationships of the wider Sprott Group of Companies, along with in-house technical support and expertise.

The Company's management team is a widely recognized manager of third party capital, with core capabilities that include:

- knowledge and contacts in the resource space;
- systematic due diligence processes;
- fiduciary investment decision-making procedures;
- administration and corporate governance; and
- risk management and compliance.

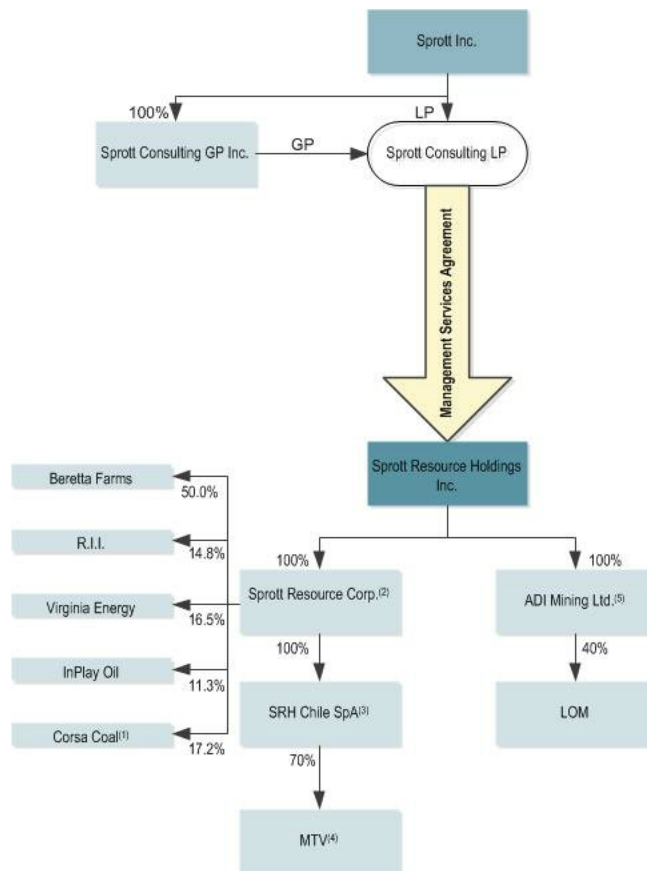
## The Sprott Brand

The Sprott brand is recognized internationally for expertise in resource investing, particularly in the precious metals and mining area. The importance of this brand recognition resides in the role it plays in generating investment opportunities for the Company as well as attracting new investors and employees. Sprott's brand recognition provides SRHI with a competitive advantage in that resource companies value the enhanced profile they receive through a Sprott-related investment in their company. Protection of the Sprott brand is maintained by delivering investment performance and industry-leading thought leadership and is important to the continued success of the Company's business.

## CORPORATE STRUCTURE

The Company was formed by amalgamation, under the laws of British Columbia effective November 1, 1997 under the name, Agro Pacific Industries Ltd., and continued under the *Canada Business Corporations Act* ("**CBCA**") on May 21, 2002. The Company changed its name from Agro Pacific Industries Ltd. to Adriana Ventures Inc. on July 12, 2004 and then to Adriana Resources Inc. on July 22, 2005. By articles of amendment dated April 14, 2014, the Company changed its registered office to Ontario. On February 9, 2017, the Company completed its business combination with Sprott Resource Corp. ("**SRC**") pursuant to a plan of arrangement under the *CBCA* (the "**Arrangement**") and changed its name to Sprott Resource Holdings Inc. Although the Company remains the top public entity in the corporate structure, SRC was determined to be the acquirer, through completion of a reverse acquisition, as its shareholders retained majority control post-Arrangement, the composition of the Board reflects a majority of pre-Arrangement members of the board of directors of SRC (the "**SRC Board**"), and SRC retained key management functions of the combined business. Accordingly, any pre-Arrangement disclosure within the remainder of this AIF includes disclosure concerning SRC.

The Company's registered and head office is located at Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2600, Toronto, Ontario, M5J 2J1. Included below is a diagram of the intercorporate relationships among the Company, its material subsidiaries and certain other entities, as at December 31, 2017 indicating the percentage of votes attaching to all voting securities of such entities beneficially owned, controlled or directed by the Company and where such entities were incorporated or continued.



Notes:

- (1) On January 29, 2018, Sprott Resource Coal Holdings Corp. ("**SRCHC**") was incorporated under the CBCA as a wholly owned subsidiary of the Company. Effective January 31, 2018, the Company transferred its interest in Corsa Coal to SRCHC.
- (2) SRC exists under the laws of Canada
- (3) SRH Chile SpA exists under the laws of Chile and was formed to hold the Company's 70% interest in MTV.
- (4) MTV exists under the laws of Chile.
- (5) ADI Mining Ltd. ("**ADI Mining**") exists under the laws of Canada and was acquired as a result of the Arrangement (see "*General Development of the Business*"). ADI Mining owns 40% of LOM, which exists under the laws of Canada. The other 60% of LOM is owned by WISCO Canada ADI Resources Development & Investment Limited, an arms-length corporation existing under the laws of British Columbia ("**WISCO JCo**"). WISCO JCo is a wholly-owned subsidiary of WISCO International Resources Development and Investment Limited ("**WISCO**"), which in turn is a subsidiary of China Baowu Iron & Steel Group Corporation Limited (China Baowu Steel Group), a Chinese state-owned integrated iron and steel company headquartered in the People's Republic of China.

## CAPITAL STRUCTURE

### Common Shares

The authorized capital of the Company consists of an unlimited number of common shares ("**Common Shares**"). As at December 31, 2017, the Company had 681,680,846 issued and outstanding Common Shares. The Common Shares trade on the Toronto Stock Exchange (the "**TSX**") under the symbol SRHI.

All the issued Common Shares are fully paid and are not subject to any future call or assessment. The Common Shares are without par value and entitle the holders thereof to: (i) one vote at all meetings of shareholders of the Company, (ii) receive, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Company, any dividends declared by the Company, and (iii) receive, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Company, the remaining property of the Company upon the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary.

### Warrants

As at December 31, 2017, the Company had 201,138,560 warrants (each, a "**Warrant**") outstanding. The Warrants trade on the TSX under the symbol SRHI.WT.

The Warrants were issued pursuant to the terms of a warrant indenture dated February 8, 2017, as amended by a supplemental warrant indenture dated April 20, 2017 (together, the "**Warrant Indenture**") between the Company and TSX Trust Company, as warrant agent thereunder (the "**Warrant Agent**").

Each whole Warrant entitles the holder to purchase one Common Share of the Company (a "**Warrant Share**") at a price of \$0.333 per Warrant Share. Warrants are exercisable at or before 5:00 p.m. (Toronto time) on February 9, 2022 (the "**Expiry Date**") (such Expiry Date subject to adjustment as described below), after which time the Warrants will expire and be deemed to be void and of no further force or effect. The Company has appointed the principal transfer offices of the Warrant Agent in Toronto, Ontario as the location at which Warrants may be surrendered for exercise or transfer.

If, at any time prior to the Expiry Date, the weighted average trading price of the Common Shares is greater than \$0.583 for any 45 consecutive trading day period, the Company may provide written notice to the Warrant Agent and the holders of Warrants (a "**Warrant Acceleration Notice**") that the Expiry Date shall be accelerated to the date which is 30 days after the date of the provision of such Warrant Acceleration Notice, subject to TSX approval.

The Warrant Indenture provides for adjustment in the number of Warrant Shares issuable upon the exercise of the Warrants and/or the exercise price per Warrant Share upon the occurrence of certain events, including:

- i. the subdivision, redivision or change of the Common Shares into a greater number of shares;
- ii. the reduction, combination or consolidation of the Common Shares into a lesser number of shares; and
- iii. the issuance of Common Shares or securities exchangeable for, or convertible into, Common Shares to all or substantially all of the holders of Common Shares by way of distribution (other than a distribution of Warrant Shares upon the exercise of the Warrants pursuant to the Warrant Indenture or in connection with any share incentive plan, restricted share plan or share purchase plan in force from time to time for directors, officers, employees, consultants or other services providers of the Company or the satisfaction of existing instruments issued at the date of the Warrant Indenture).

The Warrant Indenture also provides for adjustment in the class and/or number of securities issuable upon the exercise of the Warrants and/or exercise price per security in the event of the following additional events:

- i. reclassifications of the Common Shares;
- ii. consolidations, amalgamations, arrangements or mergers of the Company with or into any other entity; or
- iii. sale or conveyance of the property and assets of the Company as an entirety or substantially as an entirety to any other entity.

No adjustment of the exercise price is required unless the cumulative effect of such adjustment or adjustments would result in an increase or decrease of at least 1% in the exercise price then in effect.

The Company has also covenanted in the Warrant Indenture that, so long as any Warrant remains outstanding, it will give notice to the Warrant Agent and to the holders of Warrants of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Warrant Shares issuable upon exercise of the Warrants, at least 10 business days prior to the applicable record date of such event.

Warrants may only be exercised in a sufficient number to acquire whole numbers of Warrant Shares. Any fractional Warrant Shares will be rounded down to the nearest whole number for no additional consideration to the holders of Warrants. Holders of Warrants will not have any rights to vote at or to attend meetings of shareholders, the right to dividends or any other rights that a holder of Common Shares would have.

From time to time, the Company (when authorized by the Board) and the Warrant Agent, without the consent of or notice to the holders of Warrants, may, subject to TSX approval, amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not prejudice any of the rights of any holder of Warrants. Any amendment or supplement to the Warrant Indenture that is prejudicial to the interests of the holders of the Warrants may only be made by "extraordinary resolution", which is defined in the Warrant Indenture as a resolution either (i) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 25% of the aggregate number of all then outstanding Warrants and passed by the affirmative vote of holders of Warrants representing not less than 66 2/3% of the aggregate number of all then outstanding Warrants represented at the meeting and voted on the poll upon such resolution, or (ii) adopted by an instrument in writing signed by the holders of Warrants, or by an attorney duly appointed in writing, representing not less than 66 2/3% of the aggregate number of all then outstanding Warrants.



## EMPLOYEES

At December 31, 2017, the Company had one employee, one consultant and eight employees or consultants provided by SCLP pursuant to the MSA.

## GENERAL DEVELOPMENT OF THE BUSINESS

On May 11, 2015, the SRC Board and the general partner of SCLP approved changes to the amended and restated management services agreement between SRC and SCLP dated October 1, 2011 and, accordingly, a further amended and restated management services agreement (the "**Second Amended and Restated MSA**") was entered into effective January 1, 2015. The amendments were put in place to address SRC's adoption of IFRS 10, *Consolidated Financial Statements* and to better align the interests of SRC and SCLP. Concurrently with entering into the Second Amended and Restated MSA, SRC and Sprott Resource Consulting LP ("**SRCLP**") entered into a second amended and restated partnership agreement concerning Sprott Resource Partnership (the partnership through which SRC invested and operated in the natural resource sector, "**SRP**") effective January 1, 2015 (the "**Second Amended and Restated Partnership Agreement**") to also address SRC's adoption of IFRS 10, *Consolidated Financial Statements* and to better align the interests of SRC and SRCLP.

On September 29, 2015, SRC, as the borrower, and SRP, as the guarantor, entered into an amended and restated credit facility (the "**Credit Facility**") with Sprott Resource Lending Corp. ("**SRLC**"), a subsidiary of SII, which was subsequently amended by an amending agreement dated May 10, 2016. The Credit Facility was an \$18.0 million term facility with a 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 Credit Facility. Interest accrued daily at 8% per annum, compounded monthly.

On October 23, 2015, Corsa Coal completed a private placement to existing shareholders that resulted in a total offering of US \$7.25 million. SRC, through SRP, participated in the amount of US\$1.0 million and as a result of the financing SRC's proportionate ownership interest in Corsa Coal was reduced to 19.1% on an undiluted basis.

On November 15, 2015, SRC's legacy investment, One Earth Oil and Gas Inc. ("**OEOG**"), filed a notice of intention to make a proposal to its creditors under the *Bankruptcy and Insolvency Act* (Canada). The proposal subsequently made by OEOG was approved by its creditors on April 14, 2016 and by the Court of Queen's Bench of Alberta in Bankruptcy and Insolvency on April 27, 2016.

During 2016, SRC, through SRP, monetized the small positions it held in Stonegate Agricom Ltd. and Potash Ridge Corporation, and its royalty investment in Delphi Energy Corp. for combined gross proceeds of approximately \$3.0 million.

On March 28, 2016, Corsa Coal completed a private placement that resulted in a total offering of US\$8.0 million. SRC, through SRP, participated in the amount of US\$2.7 million.

On June 29, 2016, SRC, through SRP, sold its entire legacy investment in Long Run Exploration Ltd. for gross proceeds of \$12.0 million.

In the third and fourth quarter of 2016, SRC, through SRP, also disposed of its entire legacy investment in Independence Contract Drilling, Inc. for cash proceeds of \$29.9 million.

On October 13, 2016, SRC repaid all outstanding amounts owing under the Credit Facility.

On October 26, 2016, Corsa Coal completed a private placement that resulted in a total offering of \$7.3 million. SRC, through SRP, participated in the amount of US\$1.0 million and, as a result of the financing, SRC's proportionate ownership interest in Corsa Coal was reduced to 17.2% on an undiluted basis.

On November 11, 2016, InPlay Oil began trading as a public company on the TSX under the symbol IPO and SRC held 6.7 million common shares of InPlay Oil ("**InPlay Shares**"). On November 28, 2016, SRC purchased an additional 0.4 million InPlay Shares at a price of \$1.90 per share, pursuant to a plan of arrangement and, as a result of the arrangement, SRC's proportionate ownership interest in InPlay Oil was increased to 11.4% on an undiluted basis.

On February 8, 2017, the Company's shareholders received one-quarter of a Warrant in respect of each Common Share held, with each whole Warrant having a five-year term and a strike price of \$0.333 per share (the "**Warrant Distribution**") (See "*Capital Structure*").

On February 9, 2017, SRC and the Company closed their previously announced business combination pursuant to the Arrangement. Under the Arrangement, SRC became a wholly-owned subsidiary of the Company and holders of common shares of SRC received 3.0 Common Shares per common share of SRC, providing them with an indirect investment in LOM, another subsidiary of the Company. As part of the Arrangement, the Company's shareholders approved a name change of ADI to "Sprott Resource Holdings Inc." together with the TSX approving the graduation of ADI from the Toronto Venture Exchange to the TSX.

Concurrent with the completion of the Arrangement, (i) SII invested \$10 million in Common Shares at a price of \$0.233 per share and (ii) a fund managed by a subsidiary of SII, together with Term Oil Inc. (a corporation controlled by Arthur Richards (Rick) Rule IV, Chief Investment Officer, Vice-Chairman and a Director of the Company), invested a total of \$5 million in units of the Company (each unit comprised of one Common Share and one Warrant) at a price of \$0.25 per unit (a "Unit"). SRCLP also received 21,750,000 Warrants as a long-term incentive to replace the profit distribution program that was in place at SRP which was terminated upon completion of the Arrangement.

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

Immediately following the completion of the Arrangement, the Board was reconstituted and was majority comprised of the former members of the SRC Board. In addition, on February 9, 2017, SRC and SRCLP entered into a third amended and restated partnership agreement (the "**Third Amended and Restated Partnership Agreement**") and the Company and SCLP entered into a management services agreement (the "**MSA**") to replace the existing management services agreement between SRC and SCLP. For further information concerning the MSA, see "*Material Contracts - Management Services Agreement*".

As a result of the Arrangement, the Company initiated its transition from a private equity firm to a diversified holding company focused on holding businesses in the natural resource industry that it believes can generate sustainable free cash flow.

On April 18, 2017, the Company closed its "best efforts" marketed offering (the "**Offering**") of units (the "**Offered Units**") made pursuant to an agency agreement dated April 3, 2017 between SRHI and a syndicate of agents led by Sprott Capital Partners ("**SCP**"). Pursuant to the Offering, the Company sold 120.0 million Offered Units at a price of \$0.25 per Offered Unit for gross proceeds of \$30.0 million. Each Offered Unit consisted of one Common Share and one Warrant. The Warrants expire on February 9, 2022 and have an exercise price of \$0.333 per Common Share. Commissions paid to SCP and Sprott Global Resource Investments Ltd. ("**Sprott Global**") in connection with the Arrangement and Offering were \$2.1 million. SCP and Sprott Global are affiliates of SCLP, of which SII is the sole limited partner.

During July and November 2017, the Company, through SRP, sold its entire legacy investment in Union Agriculture Group for gross proceeds of \$6.1 million.

On October 2, 2017, the Company acquired 70% of the outstanding equity of MTV, a Chilean copper producing mine, from the Vecchiola Group for an aggregate purchase price of USD\$39.9 million (\$49.9 million), consisting of USD\$33.5 million (\$41.9 million) in cash and USD\$6.4 million (\$8.0 million) in Common Shares. A total of 51,191,847 Common Shares were issued to the Vecchiola Group in connection with the acquisition. A copy of the Business Acquisition Report with respect to Company's acquisition of MTV can be found under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

On October 2, 2017, SRP was restructured, resulting in an effective amalgamation with SRC and the Third Amended and Restated Partnership Agreement was terminated. There was no impact to the operations of the Company as a result of this restructuring and substantially all of the holdings of the Company are now held by SRC.

On January 31, 2018, the Company transferred its 16,244,765 common shares in the capital of Corsa Coal to its wholly owned subsidiary, Sprott Resource Coal Holdings Corp.

On February 1, 2018, the Company completed its transition to a diversified holding company. The Company is now focused on owning majority positions in businesses in the natural resource industry that it believes can generate sustainable free cash flow.

## MINING SECTOR

The Investments held by the Company in the Mining Sector as at December 31, 2017 include investments in (i) MTV; (ii) Corsa Coal; (iii) LOM; and (iv) Virginia Energy. As of December 31, 2017, only the Company's investments in MTV and Corsa were material.

### **MTV**

MTV is a fully permitted and operating mining complex located nine kilometers from Salamanca in Region IV of Chile. The mine commenced commercial production in 2010 and consists of two main deposits: Papomono (underground) and Don Gabriel (open pit). In addition to mining its own mineralized material, MTV purchases mineralized material from local miners and has a toll processing agreement with Empresa Nacional De Minería, a Chilean state owned enterprise. MTV has a processing plant with permitted crushing capacity of 5,400 tonnes per day ("**tpd**") of mineralized material, and can operate up to 7,000 tpd.

Attached as Appendix "B" hereto is the Summary from the MTV Technical Report. The MTV Technical Report is incorporated into this AIF by reference and available under the Company's profile on SEDAR at [www.SEDAR.com](http://www.SEDAR.com). Readers are encouraged to read the MTV Technical Report in its entirety.

The Company completed its investment in MTV on October 2, 2017, purchasing a 70% equity interest from the Vecchiola Group (Chile), through SRH Chile SpA, for USD\$33.5 million of cash and USD\$6.4 million in Common Shares for a total investment of USD\$39.9 million. As at December 31, 2017, the Company owned 33,655,088 common shares of MTV valued at \$1.49 per share for an aggregate investment value totaling \$50.1 million. The fair value of MTV reflects the price paid by SRHI on October 2, 2017 following negotiations with an arm's length party.

### ***Principal Products and Operations***

MTV's principal product is copper cathodes. Between December 2010 and October 2017 MTV has mined and processed 4.22 million tonnes of mineralized material at an average grade of 0.90% copper from the Papomono and Don Gabriel deposits. Inclusive of the external mineralized material purchases and toll processing, a total of 6.14 million tonnes averaging 1.22% Cu was processed in MTV's plant during that same time period, resulting in production of approximately 60 thousand tonnes of copper cathodes.

MTV currently sells all of its copper cathode production under an offtake contract with WERCO Trade AG.

### ***Production***

MTV extracts mineralized material from the Papomono (underground) and Don Gabriel (open pit) mines and receives mineralized material from third parties at the Run-of-Mine stockpile. Mineralized material is crushed into fragments of which 80% are smaller than 6mm. The crushed material is agglomerated with water and acid to start the leaching process. The agglomerated material is stacked in heaps by trucks and loaders, a grid of sulphuric acid drippers is then placed over the stacked material and a ninety day intensive leaching process is followed by 180 day less-intensive leach process to liberate copper from the oxide and sulfide mineral. The product of the leaching process is called "pregnant leach solution" ("**PLS**"), which is accumulated in ponds.

The PLS is pumped into the solvent extraction plant where organic resins are used to capture the copper ions in the solution over several stages. In the last stage, the highly concentrated solution is called "electrolyte", which is sent to the electrowinning plant where the process of electrolysis is responsible for the deposition of metallic copper in cathodes over steel blade. The cathodes are then sent to the stripping machine, where pure copper cathodes are separated from the steel blades. The finished cathodes are stacked and stored in the secure finished goods stockpile until delivered.

### ***Competitive Conditions***

MTV's primary business is to produce and sell copper cathodes. Prices are determined by world markets over which MTV has no influence or control. MTV's competitive position is primarily determined by its costs compared to other producers throughout the world and its ability to maintain its financial integrity through metal price cycles. Costs are governed to a large extent by the grade, nature and location of MTV's mineral reserves as well as by input costs and the level of operating and management skill employed in the production process. In contrast with diversified mining companies, MTV focuses solely on copper production, development and exploration, and is therefore subject to unique competitive advantages and disadvantages related to the price of copper. If copper prices increase, MTV will be in a relatively stronger competitive position than diversified mining companies that produce, develop and explore for other minerals in addition to copper. Conversely, if copper prices decrease, MTV will be at a competitive disadvantage to diversified mining companies.

The mining industry is competitive, particularly in the acquisition of additional mineral reserves and mineral resources in all phases of operation, and MTV competes with many companies possessing similar or greater financial and technical resources. MTV also competes with other mining companies and other third parties over sourcing raw materials, equipment and supplies in connection with its production, development and exploration operations, as well as for skilled and experienced personnel and transportation capacity. See “*Risk Factors - Risks Related to the Mining Sector - Competition*” in the Company’s Management’s Discussion and Analysis for the year ended December 31, 2017 (the “**2017 MD&A**”).

### **Copper Prices**

MTV’s financial flexibility is highly dependent on the prevailing prices for the copper it produces. While MTV’s overall strategy is to remain unhedged, circumstances may arise where increased certainty of cash flows is considered more important to long-term value creation than providing its owners with short-term exposure to the volatility of metal prices. In these circumstances, MTV may elect to fix prices within a contractual quotational period or to lock in future prices through the variety of financial derivative instruments available.

### **Copper Mining Industry**

#### *Uses of Copper*

Copper has a number of different applications; its most common use is in wiring and cable products, such as power cables, building wiring and transformer windings. Copper is the ideal material for these products because it is the best non-precious metal electric conductor, making it both functional and affordable. Copper is used across many industries, principally construction, electric and electronic products, industrial machinery, transportation and consumer products. Outside of wire and cable products, the next largest use of copper is in copper tubing. Copper tubing has a number of different applications, which include plumbing, heating systems and air conditioners/refrigeration units. Copper is also vital to the transportation industry.

#### *Demand*

Demand for copper over the past 15 to 20 years has been robust, primarily driven by emerging market growth particularly in Asia and increasingly dominated by a rapid rise in consumption in China, which now makes up nearly 50% of annual global copper demand. China’s consumption growth is anticipated to be sustained through a transition to a “new normal” as the country continues to experience urbanization and an expanding middle class, buoyed by massive government economic stimulus packages on infrastructure and transportation (domestic electrical grid, rail, road) including the “One Belt One Road” initiative (development strategy focused on connectivity and cooperation between Eurasian countries).

Wood Mackenzie, a global energy, chemicals, renewables, metals and mining research and consultancy group, anticipates copper demand growth to continue at a rate of 1.2% to 1.8% per annum over the next decade, primarily driven by continued growth from China and other emerging markets in Asia.

Furthermore, the ongoing global electric vehicle (“**EV**”) revolution has very positive implications for future copper demand. An increasing number of automotive manufacturers are now accelerating their investment into EV technologies as governments mandate increasingly ambitious emission targets and restrictive policies, exemplified recently by British and French governments banning sales of new petrol and diesel autos by 2040 and additional nations signing on to the Electric Vehicle Initiative (which sets out a goal for 30% EV market share for passenger cars, light commercial vehicles, buses and trucks by 2030). These targets can only be achieved with a move away from the internal combustion engine and a rapid increase in the production of EVs. EVs use considerably more copper than traditional internal combustion engine vehicles, as copper is used in batteries, motors, inverters and charging points. The International Copper Association estimates that an EV requires approximately 60 to 85 kg of copper per passenger vehicle plus an additional amount for the charging point, compared to an average total of approximately 25 kg for a traditional passenger vehicle produced today.

In addition to the impact of the EV revolution, there is rising copper demand for certain renewable energy technologies, such as wind turbines, and new battery technologies.

#### *Supply*

Slower copper supply growth is anticipated over the medium term. Lower copper prices over the past five years resulted in a stagnant investment environment, forcing producers to focus on financial health and profitability over growth. Supply constraints were further exacerbated by grade declines and supply disruptions at existing operations, technical challenges at projects in development and historically low exploration budgets resulting in limited success in finding sizeable new discoveries. Over the medium to long-term, currently anticipated new copper mine supply will be barely sufficient to replace maturing operations.

Furthermore, new mine supply is not guaranteed as most projects remain subject to permitting, engineering or require higher metal prices to justify development economics.

Chile is presently the world's largest primary producer of copper. Peru and China are presently the second and third largest primary producers of copper, respectively.

### **Specialized Skills and Knowledge**

The nature of MTV's business requires specialized skills, knowledge and technical expertise in the areas of geology, engineering, mine planning, mine operations, metallurgical processing, and environmental compliance. In addition to the specialized skills listed above, MTV also relies on staff members, contractors and consultants with specialized knowledge of logistics and operations in Chile and local community relations. In order to attract and retain personnel with the specialized skills and knowledge required for MTV's operations, MTV maintains competitive remuneration and compensation packages. To date, MTV has been able to meet its staffing requirements.

### **Employees**

MTV employed a total of 246 employees and 134 contractors as at December 31, 2017. MTV is party to a three-year collective bargaining agreement with Tres Valles' Workers Union Association No. 1 which was entered into in the ordinary course of business in February 2018. As of March 25, 2018, Tres Valles' Workers Union Association No. 1 represents 177 processing plant employees that work in the areas of operations and administration and Tres Valles' Workers Union Association No. 2 represents five processing plant employees that work in the areas of operations and administration.

### **Foreign Operations and Emerging Market Disclosure**

MTV's properties are all located in Chile. As such, operations in Chile accounted for 100% of MTV's revenue and approximately 100% of MTV's assets were located in Chile as at December 31, 2017. The Company's investment in MTV represented approximately 33% of the Company's \$151 million net asset value as at December 31, 2017. Accordingly, the Company is entirely dependent on foreign operations for a return on its investment in MTV.

#### *Ownership of Property Interests and Assets*

Mining conventions and routine permits obtained from time to time in the ordinary course are required for MTV to be able to carry on business in Chile. With respect to exploitation and mine development, the mining conventions, mining licenses and environmental and social policies described in this AIF, as well as certain other customary and routine permits obtained and held from time to time in the ordinary course, are required by MTV for the permitting process.

In order to satisfy itself of MTV's ownership of its property interests in Chile, the Company has, among other things: (i) obtained and reviewed title opinions from reputable law firms in Chile; (ii) obtained and reviewed certificates of compliance issued by the appropriate government officials in Chile; (iii) conducted customary public searches in Chile; and (iv) reviewed various agreements MTV has entered into with the Government of Chile relating to the acquisition and/or transfer of certain mining titles and concessions.

The MTV management team has extensive experience working with mining properties in Chile and is abreast of all current Chilean legal requirements. MTV maintains a permit database and performs an annual risk assessment at each of its operations to review permit condition adherence. The Company relies on the oversight by Qualified Persons (as such term is defined in NI 43-101) who have done a review of MTV's operations and external consultants who are engaged by MTV in connection with MTV's permitting, licensing and regulatory approval application process, to confirm MTV has all material permits, licenses and other regulatory approvals needed to carry on business in Chile. The Company and MTV also consult regularly with external legal advisors in Chile, including to confirm that all applicable permitting requirements for MTV's operations have been obtained. In addition, the Government of Chile audits all major sites and their various operating permits at least once per year. No deficiencies were identified from these audits.

#### *Laws and Customs of Chile*

According to the Fraser Institute Annual Survey of Mining Companies 2017, Chile ranks just behind Ontario and Nova Scotia and ahead of British Columbia on a list of politically favourable mining jurisdictions. Chile operates under a claim patent system, similar to Canada and the United States. Once a mining exploitation claim is perfected, the claim becomes real property. Approximately 89% of MTV's properties in Chile have been perfected and can now be held indefinitely as long as annual "patente" fees are paid.

The Company is not aware of any material restrictions against foreign investment in Chilean mining companies, nor any material legal requirements imposed on foreign ownership of Chilean mining companies.

### *Control by the Company over MTV*

In order to ensure that the Company has appropriate control and direction over MTV, the Company has appointed three directors to MTV's five-person board of directors. Two of the Company's appointees are members of the Company's management team and the other appointee is an independent contractor of the Company. The Board receives monthly operational, technical and financial reports with respect to MTV's operations.

MTV maintains and uses corporate controls to ensure that a process and mechanism of approvals is adhered to for the disbursement of corporate funds and operating capital and to ensure that investment decisions are reviewed and approved by MTV's board. In addition, certain material investment decisions of MTV are reviewed and approved by the Board.

All of the minute books and corporate records of MTV are kept at the offices of MTV's local counsel.

The Company is of the view that any material risks associated with the ownership structure of MTV are effectively managed based on the controls described above and elsewhere in this AIF.

### *Banking Matters*

The Company and MTV conduct their banking in Chile through banks of international repute, which are subject to international standards. All material disbursements of corporate funds and operating capital by MTV are reviewed and approved by the MTV board and are based upon pre-approved budget expenditures. MTV's operations, excluding payroll and certain small expenses, are conducted in USD.

### *Foreign Corruption and Other Ethical Considerations*

The Company adheres to Canadian and Chilean laws. The Company's management team is knowledgeable of the *Corruption of Foreign Public Officials Act* (Canada) which is required to be followed by all directors, officers and employees.

The Board has adopted a Code of Business Conduct and Ethics (the "**Code**") that is designed to provide guidance on the conduct of the Company's business in accordance with high ethical standards. All Company personnel are expected to understand and comply with the Code. The Code provides detailed guidelines for, among other things, dealing with conflicts of interest, the treatment of confidential information, and the use of Company assets and opportunities. The Code contains a whistleblower policy pursuant to which Company personnel are made responsible for promptly reporting any problems or concerns and any actual or potential violation of the Code. No reprisal or other action will be taken against any Company personnel who, in good faith, bring forward concerns about actual or potential violations of laws or the Code. The requirements of the Code extend to business dealings involving MTV.

### *Board and Management Experience in Chile and Board and Management Visits to Chile*

The Company's directors and executive officers have a strong familiarity with the legal and regulatory requirements of Chile through their involvement in negotiating and executing the MTV acquisition and one of the Company's executive officers also has previous experience working and conducting business in Chile. Members of the Board have met with MTV's senior leadership team on several occasions. Furthermore, the Board is made aware of the local business practices in Chile as part of their annual board level risk management reviews. The Company's directors and executive officers are also advised by a prominent law firm in Chile and are made aware of new developments in the legal regime and new requirements that come into force from time to time. Any material developments are then discussed by the Company's senior management and at the Board level.

### *Language Considerations*

MTV senior management are fluent in Spanish and English. Local business in Chile is conducted largely in Spanish and the members of MTV's management team that deal directly with the operating staff and outside consultants communicate in Spanish with such individuals. The Company's advisors in Chile are fluent in English. From time to time, the Company will hire independent third party translators on an as-needed basis. Therefore there is no material language barrier.

### *The Company's Communication Strategy in Chile*

The Company's communication strategy in Chile includes having representatives of the Company formally meet with the community and other local stakeholders on a regular basis and also more frequently as needed when potential issues arise. Regular contact between MTV and its stakeholders takes place at various levels within the organization, including by the Mining Manager and other members of senior leadership. MTV is a member of the National Society of Mining (SONAMI) and the Regional Mining Corporation for the Region of Coquimbo (CORMINCO).

## Social and Environmental Policies

### *Environmental Impact*

MTV's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, releases or emissions of various substances related to mining industry operations, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving, which means stricter standards and enforcement, and that fines and penalties for non-compliance are becoming more stringent. Environmental assessment of proposed projects carries a heightened degree of responsibility for the Company and MTV. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. MTV intends to fully comply with all environmental regulations.

Since 2009, MTV has had a comprehensive Environmental Qualification Resolution ("**RCA**") active throughout its entire operation. The RCA provides the pivotal instructions and permits necessary to sustainably run operations in a manner that complies with applicable regulations and that respects the environment not only physically, but also socially. Part of the environmental obligations imposed on MTV by the RCA is the reforestation of 250 hectares with native species, the construction of a petroglyph park in Quilmenco and the continuous monitoring of air and water quality.

Environmental protection is a top priority at MTV. For example, MTV uses renewable biomass energy with a view to lowering its carbon footprint. Additionally, MTV has historically had a very low rate of water consumption (3.58 L/sec) for which it has received accolades.

Further, the Board has established an Environment, Health and Safety Committee (the "**EHS Committee**") to oversee the development and implementation of policies and best practices relating to environmental, health and safety issues in order to ensure compliance with applicable laws, regulations and policies in Chile and other jurisdictions in which the Company carries on business.

### *Social Investment*

MTV's channel for social investment and community relations is the MTV Foundation, a non-profit charitable organization dedicated to improving the quality of life in communities that are directly and indirectly impacted by the project. The MTV Foundation board of directors consists of two representatives from MTV and one representative from each of the three valleys in which MTV's operations occur: the Chalinga Valley, the Cárcamo Valley and the Chuchiñí Valley.

The MTV Foundation operates under a participation-based management model in which community organizations, with help from the foundation, create project proposals and present them to the board. By requiring community participation, MTV is able to ensure that the projects that are funded are those of most importance to community stakeholders and stand to have the greatest positive impact on the largest group of community members. In 2015, 21 projects funded by the MTV Foundation were realized in the different communities throughout the three valleys.

### *Health and Safety*

In addition to oversight provided by the Company's EHS Committee, MTV has established a Joint Health and Safety Committee to develop and educate its employees on preventative safety and occupational health measures.

MTV works with a goal of zero accidents in all areas of operation. In order to achieve this high level of safety, MTV takes thorough precautionary actions. For example, all individuals that work on-site receive extensive training prior to entering their specific roles. Regular safety workshops are also held in order to make sure all employees are up to date on the latest safety procedures and requirements.

## **Corsa Coal Corp.**

Corsa Coal is a Canadian public company (TSX-V:CSO) engaged in the mining, processing and selling of metallurgical and thermal coal, as well as the active exploration, acquisition and development of resource properties that are consistent with its existing coal business. Corsa Coal's goal is to focus on niche coal markets which command premium pricing and have a delivered cost advantage to customers, while maintaining low-cost operations and sufficient infrastructure to achieve sustainable growth.

Corsa Coal's coal operations consist of the Wilson Creek and PBS Coals metallurgical coal mines in Somerset, Pennsylvania, U.S., and is focused on low-volatile metallurgical coal production and sales in the Northern Appalachia of the United States.

The principal market for Corsa Coal's metallurgical coal is domestic and international steel producers and the principal market for Corsa Coal's thermal and industrial coals is domestic electric utilities and industries. The primary distribution method for Corsa Coal's coal is by rail from a preparation plant to the customer; however, distribution by truck or by truck and barge to the customer is also utilized.

Corsa's competitive strengths include:

- A large reserve base of premium quality coal;
- A diverse group of customers in North America, Europe and Asia;
- Existing low cost operations;
- Significant transportation optionality to reduce delivered costs to customers; and
- Attractive organic growth prospects.

The Company's initial investment in Corsa Coal was made in the third quarter of 2014 and as at December 31, 2017, the Company owned 16.2 million common shares of Corsa Coal valued at \$2.05 per share for an aggregate investment value totaling \$33.3 million. As at December 31, 2016, the Company owned 16.2 million common shares of Corsa Coal valued at \$3.11 per share for an aggregate investment value totaling \$50.5 million.

### Lac OtelnuK Mining

LOM is a Canadian company that was established to explore the Lac OtelnuK iron ore project (the "**LOM Project**") located in Nunavik, Quebec. The technical report titled "Lac OtelnuK Project Feasibility Study – NI 43-101 Technical Report" dated March 25, 2015 and issued on April 24, 2015 (the "**LOM Technical Report**") provides an estimate that 20.64 billion tonnes averaging 29.8% total iron ("**TFe**") head grade at 25.4% Davis Tube Weight Recovery ("**DTWR**") using a cut-off at 18% DTWR of mineral resources are contained in the Lac OtelnuK ore body of which 16.21 billion tonnes are classified as measured and 4.43 billion tonnes as indicated. Additionally, 6.84 billion tonnes bearing 29.8% TFe head grade at 26.3% DTWR have also been identified and classified as inferred. The mineral reserves within an open pit design sufficient to provide for a 30-year mine life, which account for mining dilution and ore losses, have been estimated to include 4,943 million metric tonnes ("**Mt**") of proven mineral reserves and 50 Mt of probable mineral reserves for a total of 4,993 Mt at an average head grade of 28.7% Fe and DTWR of 26.5%. These mineral reserves are included in the mineral resource estimate.

The Company's initial investment in LOM was made in the first quarter of 2017 for \$5.8 million or \$11.04 per common share of LOM. There has been no subsequent investment in LOM since the initial investment. As at December 31, 2017, the Company owned 0.5 million common shares of LOM valued at \$12.50 per share for an aggregate investment value totaling \$6.5 million.

Also see "*Material Contracts - LOM JV Agreement*".

### Virginia Energy

Virginia Energy is a uranium development and exploration company whose common shares trade on the TSX Venture Exchange under the symbol "VUI". Virginia Energy holds a 100% stake in the Coles Hill uranium project in Virginia, USA.

On August 5, 2015, Virginia Energy filed a lawsuit in federal court against the Commonwealth of Virginia asking that the state's 33-year-old law banning the development of uranium mining be nullified. Virginia Energy contends in its lawsuit that the Commonwealth's refusal to develop uranium mining regulations is grounded in environmental and radiological safety concerns over the processing of uranium ore and, in particular, the long-term storage and management of uranium mill tailings. Pursuant to the U.S. federal Atomic Energy Act, the regulatory oversight and management of the uranium mill and the resulting tailings are under the clear and exclusive jurisdiction of the Nuclear Regulatory Commission. Thus, the suit contends, the Commonwealth's ban on uranium mining is preempted by federal law and is therefore invalid under the Supremacy Clause of the United States Constitution. A federal judge ruled against the lawsuit in December 2015. The Company has timely filed its appeal of such ruling in the United States Court of Appeal for the Fourth Circuit. The appeal was heard on October 28, 2016 and the Court ruled against the Company and denied the appeal. On May 21, 2017, the Company filed a petition with the United States Supreme Court to hear its appeal of the decision of the Fourth Circuit.

On November 25, 2015, the Company filed a separate state law based lawsuit in the Circuit Court of Wise County seeking injunctive and other relief overriding the ban on mining in a takings claim. The Commonwealth of Virginia filed a motion to dismiss the case and a plea in bar. A state judge issued an order denying the motion to dismiss and plea in bar. The case was scheduled for trial on December 18 - 20, 2017.



The Company's initial investment in Virginia Energy was made in the fourth quarter of 2010 and as at December 31, 2017, the Company owned 9.4 million common shares of Virginia Energy valued at \$0.12 per share for an aggregate investment value totaling \$1.1 million. As at December 31, 2016, the Company owned 9.4 million common shares of Virginia Energy valued at \$0.06 per share for an aggregate investment value totaling \$0.5 million.

## ENERGY SECTOR

The Investments held by the Company in the Energy Sector as at December 31, 2017 include investments in InPlay Oil and R.I.I.

### **InPlay Oil Corp.**

InPlay Oil has been engaged in the business of exploring for, developing and producing oil and natural gas, and acquiring oil and natural gas properties in western Canada since it commenced operations in June 2013. Since commencing operations, InPlay Oil has concentrated on exploration and development drilling of prospects in the province of Alberta, focusing in the Pembina area of central Alberta. InPlay Oil's operations are currently directed towards light oil prospects in its Pembina and Rocky Mountain House areas. InPlay's activity is focused on large oil in place pools with low recovery factors, low declines, and long life reserves. InPlay has a strong balance sheet that allows the company to weather commodity volatility and develop its extensive inventory of horizontal drilling locations. Common Shares of InPlay Oil ("**InPlay Shares**") trade on the TSX under the symbol "IPO".

InPlay Oil's key attributes to support organic growth to intermediate status include:

- Low operating cost structure;
- High netback production base; and
- Focused on large oil in place pools with low declines and long life reserves.

The Company's initial investment in InPlay Oil was made in the second quarter of 2014 and as at December 31, 2017, the Company owned 7.1 million InPlay Shares valued at \$1.94 per share for an aggregate investment value totaling \$13.8 million. As at December 31, 2016, the Company owned 7.1 million InPlay Shares valued at \$1.99 per share for an aggregate investment value totaling \$14.1 million.

### **R.I.I. North America Corp.**

R.I.I. is a private energy technology company based in Calgary, Alberta. R.I.I. owns the intellectual property 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's initial investment in R.I.I. was made in the first quarter of 2013 and as at December 31, 2017, the Company owned 3.8 million common shares of R.I.I. valued at \$0.38 per share for an aggregate investment value totaling \$1.4 million. As at December 31, 2016, the Company owned 3.8 million common shares of R.I.I. valued at \$1.38 per share for an aggregate investment value totaling \$5.2 million. The fair value of common shares of R.I.I. is based on R.I.I.'s continuing negotiations with a third party for the acquisition of its heavy oil assets, which resulted in a preliminary equity valuation of \$0.38 per share.

## AGRICULTURE SECTOR

The only Investment held by the Company in the Agriculture Sector as at December 31, 2017 was its investment in Beretta Farms.

### **Beretta Farms Inc. (formerly One Earth Farms Corp.)**

Beretta Farms (a name change from One Earth Farms Corp. in the third quarter of 2017) is 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. Beretta Farms participates in the value chain from farm to fork. Beretta Farms 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, China, the United States and the Middle East.

The Company's initial investment in Beretta Farms was made in the first quarter of 2009 and as at December 31, 2017, the Company owned 66.8 million common shares of Beretta Farms with a fair value of \$9.2 million or \$0.14 per share. As at December 31, 2016, the Company owned 66.8 million common shares of Beretta Farms with a fair value of \$13.4 million or \$0.20 per share. The fair value of common shares of Beretta Farms is based on valuation range of \$0.14 per share to \$0.15 per share.

## RISK FACTORS

There are risks associated with owning Common Shares that holders should carefully consider. The risk factors relating to the Company and its business are disclosed or referenced in the 2017 MD&A under the heading "Risk Management", which information is incorporated by reference into this AIF. A copy of the 2017 MD&A has been filed under the Company's profile on SEDAR and can be found at [www.sedar.com](http://www.sedar.com). The risks and uncertainties referred to in the 2017 MD&A are not the only risks and uncertainties facing the Company and its Investments. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair the business, operations and future prospects of the Company and its Investments and cause the price of the Company's securities to decline. If any of the identified risks actually occur, the business of the Company and its Investments, as applicable, may be harmed and their respective financial condition, financial performance and cash flows may suffer significantly. In that event, the trading price of the Company's securities could decline and holders of the Company's securities may lose all or part of their investment.

The Company encourages investors in its securities to consult Corsa Coal's public disclosure record for information on risk factors affecting their business (available under Corsa Coal's profile on SEDAR at [www.sedar.com](http://www.sedar.com)). An extract of certain risk factors disclosed in Corsa Coal's annual information form dated March 13, 2018 is incorporated by reference into this AIF and has been filed under the Company's profile on SEDAR and can be found at [www.sedar.com](http://www.sedar.com).

The Company also encourages investors in its securities to consult InPlay Oil's public disclosure record for information on risk factors affecting their business (available under InPlay Oil's profile on SEDAR at [www.sedar.com](http://www.sedar.com)). An extract of certain risk factors disclosed in InPlay Oil's annual information form dated March 30, 2017 (the "2017 InPlay Oil Risk Factors") is appended to the Company's 2017 MD&A at Schedule "B" and is incorporated by reference into this AIF. The 2017 InPlay Oil Risk Factors shall be automatically deemed to no longer be incorporated by reference into this AIF upon the filing, under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com), of a document containing an extract of the risk factors from InPlay Oil's annual information form for the year ended December 31, 2017 (to be available under InPlay Oil's profile on SEDAR at [www.sedar.com](http://www.sedar.com)) or such other applicable document, at which time such risk factors from InPlay Oil's annual information form for the year ended December 31, 2017 or such other applicable document will be deemed to be incorporated by reference into this AIF.

## ENVIRONMENTAL AND SUSTAINABILITY POLICY

The Company's environmental and sustainability policy (the "**Environmental and Sustainability Policy**") provides that the Company and its subsidiaries are committed to the protection of life, health and the environment for present and future generations. Resources are focused to achieve shareholder profitability without neglecting the Company's commitment to sustainable development. The needs and culture of the local communities will be respected. The Environmental and Sustainability Policy is available on the Company's website at [www.sprott.com/investment-strategies/sprott-resource-holdings](http://www.sprott.com/investment-strategies/sprott-resource-holdings).

The Board has established an Environment, Health and Safety Committee (the "**EHS Committee**") to assist the Board in fulfilling its oversight responsibilities for environmental, health and safety matters. The mandate of the EHS Committee is to oversee the development and implementation of policies and best practices relating to environmental, health and safety issues in order to ensure compliance with applicable laws, regulations and policies in the jurisdictions in which the Company carries on business.

## DIVIDENDS

Neither the Company nor SRC has declared or paid any cash dividends in their three most recently completed financial years. The Company's dividend policy is reviewed from time to time by the Board in the context of the Company's earnings, financial condition, capital requirements and other relevant factors. Although dividends may be paid at some point in the future, the Company currently intends to retain all available funds and any future earnings to fund the development and growth of its business and the Company does not anticipate paying any cash dividends in the foreseeable future.

## MARKET FOR SECURITIES

The Common Shares are listed on the TSX under the symbol "SRHI". Information concerning the trading prices and volumes of the Common Shares on the TSX during fiscal 2017 is set out below:

| Month                             | Last   | High   | Low    | Share Volume |
|-----------------------------------|--------|--------|--------|--------------|
| February (10 - 28) <sup>(1)</sup> | \$0.19 | \$0.23 | \$0.18 | 6,613,010    |
| March                             | \$0.20 | \$0.21 | \$0.16 | 26,096,993   |
| April                             | \$0.19 | \$0.21 | \$0.17 | 17,595,676   |
| May                               | \$0.17 | \$0.19 | \$0.16 | 10,588,063   |
| June                              | \$0.16 | \$0.18 | \$0.16 | 6,500,031    |
| July                              | \$0.16 | \$0.17 | \$0.16 | 6,527,706    |
| August                            | \$0.16 | \$0.17 | \$0.15 | 6,499,719    |
| September                         | \$0.15 | \$0.17 | \$0.15 | 6,459,268    |
| October                           | \$0.15 | \$0.16 | \$0.14 | 10,885,209   |
| November                          | \$0.14 | \$0.15 | \$0.13 | 10,054,790   |
| December                          | \$0.16 | \$0.16 | \$0.13 | 16,658,212   |

Notes:

Source: Bloomberg.

(1) The Common Shares commenced trading on the TSX on February 10, 2017.

Information concerning the trading prices and volumes of the common shares of SRC on the TSX during fiscal 2017 is set out below:

| Month                           | Last   | High   | Low    | Share Volume |
|---------------------------------|--------|--------|--------|--------------|
| January                         | \$0.55 | \$0.57 | \$0.49 | 3,396,070    |
| February (1 - 9) <sup>(1)</sup> | \$0.58 | \$0.60 | \$0.54 | 1,022,114    |

Notes:

Source: Bloomberg.

(1) The common shares of SRC ceased trading on the TSX on February 9, 2017.

Information concerning the trading prices and volumes of the common shares of ADI on the TSX Venture Exchange during fiscal 2017 is set out below:

| Month                           | Last   | High   | Low    | Share Volume |
|---------------------------------|--------|--------|--------|--------------|
| January                         | \$0.20 | \$0.21 | \$0.17 | 13,661,691   |
| February (1 - 9) <sup>(1)</sup> | \$0.21 | \$0.23 | \$0.19 | 2,625,704    |

Notes:

Source: Bloomberg.

(1) The common shares of ADI ceased trading on the TSX Venture Exchange on February 9, 2017.

The Warrants are listed on the TSX under the symbol "SRHI.WT". Information concerning the trading prices and volumes of the Warrants on the TSX during fiscal 2017 is set out below:

| Month                             | Last   | High   | Low    | Share Volume |
|-----------------------------------|--------|--------|--------|--------------|
| February (10 - 28) <sup>(1)</sup> | \$0.08 | \$0.08 | \$0.07 | 932,667      |
| March                             | \$0.10 | \$0.11 | \$0.07 | 2,457,814    |
| April                             | \$0.09 | \$0.10 | \$0.08 | 549,170      |
| May                               | \$0.07 | \$0.09 | \$0.06 | 3,464,997    |
| June                              | \$0.07 | \$0.08 | \$0.06 | 1,181,092    |
| July                              | \$0.08 | \$0.08 | \$0.07 | 456,362      |
| August                            | \$0.08 | \$0.08 | \$0.06 | 520,142      |
| September                         | \$0.07 | \$0.09 | \$0.07 | 386,145      |

| Month    | Last   | High   | Low    | Share Volume |
|----------|--------|--------|--------|--------------|
| October  | \$0.05 | \$0.07 | \$0.05 | 313,655      |
| November | \$0.05 | \$0.55 | \$0.05 | 454,074      |
| December | \$0.07 | \$0.65 | \$0.05 | 1,024,592    |

Notes:

Source: Bloomberg.

(1) The Warrants commenced trading on the TSX on February 10, 2017.

## DIRECTORS AND OFFICERS

### Name, Occupation and Security Holdings

The following table sets forth the name; province or state and country of residence; position held with the Company; principal occupation; period of directorship with the Company; and shareholdings of each of the directors and executive officers of the Company as of the date of this AIF. Directors of the Company hold office until the next annual meeting of shareholders or until their successors are duly elected or appointed.

| Name, Province/State and Country of Residence                      | Position held with the Company                    | Principal Occupation   | Director Since <sup>(1)</sup> | Number of Voting Securities Owned <sup>(2)</sup> | Percentage of Issued and Outstanding Voting Securities |
|--|---|--|-------------------------------|--|--|
| Terrence A. Lyons <sup>(3)(4)(5)</sup><br>British Columbia, Canada | Chair and Director                                | Corporate Director   | 2005                          | 1,980,927 <sup>(6)</sup>                         | 0.29%  |
| Stephen Yuzpe<br>Ontario, Canada                                   | President, CEO and Director                       | President, CEO and Director, SRHI  | 2013                          | 3,643,234 <sup>(7)</sup>                         | 0.53%  |
| Arthur Richards Rule IV<br>California, United States               | Chief Investment Officer, Vice-Chair and Director | President and CEO, Sprott U.S. Holdings Inc.   | 2017                          | 27,156,693 <sup>(8)</sup>                        | 3.98%  |
| Lenard F. Boggio <sup>(3)(5)(9)</sup><br>British Columbia, Canada  | Director  | Corporate Director   | 2012                          | 1,801,375 <sup>(10)</sup>                        | 0.26%  |
| Joan E. Dunne <sup>(3)(4)(9)</sup><br>Alberta, Canada              | Director  | Corporate Director   | 2014                          | 1,772,727 <sup>(11)</sup>                        | 0.26%  |
| John Embry<br>Ontario, Canada                                      | Director  | Corporate Director   | 2007                          | 4,950,000  | 0.73%  |
| Ron F. Hochstein <sup>(4)(5)(9)</sup><br>British Columbia, Canada  | Director  | President, CEO and Director, Lundin Gold Inc. (a gold development company); and Director, Denison Mines Corp. (" <b>Denison</b> ") (a uranium exploration and development company) | 2013                          | 1,720,077 <sup>(12)</sup>                        | 0.25%  |
| Michael Staresinic<br>Ontario, Canada                              | CFO   | CFO, SRHI  | N/A                           | 509,811 <sup>(13)</sup>                          | 0.07%  |
| Arthur Einav<br>Ontario, Canada                                    | General Counsel and Managing Director             | Senior Managing Director, SII  | N/A                           | 527,211 <sup>(14)</sup>                          | 0.08%  |

| Name, Province/State and Country of Residence | Position held with the Company                    | Principal Occupation   | Director Since <sup>(1)</sup> | Number of Voting Securities Owned <sup>(2)</sup> | Percentage of Issued and Outstanding Voting Securities |
|---|---|--|-------------------------------|--|--|
| Michael Harrison<br>Ontario, Canada           | Managing Director                                 | Managing Director, SRHI  | N/A                           | 911,500  | 0.13%  |
| Andrew Stronach<br>Ontario, Canada            | Managing Director                                 | Managing Director, Strategic and Corporate Development, SII    | N/A                           | 550,443 <sup>(15)</sup>                          | 0.08%  |
| Sarah-Jane Martin<br>Ontario, Canada          | Associate General Counsel and Corporate Secretary | Associate General Counsel and Director of Human Resources, SII | N/A                           | 26,376 <sup>(16)</sup>                           | —%   |

Notes:

(1) Includes service on the SRC Board.

(2) The information as to the number and percentage of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, by the directors and executive officers, but which are not registered in their names and not being within the knowledge of the Company, has been furnished by such directors and officers.

(3) Member of the Conflict Resolution, Corporate Governance and Nominating Committee.

(4) Member of the Environment, Health and Safety Committee.

(5) Member of the Compensation Committee.

(6) 1,675,827 of the 1,980,927 common shares were designated, or are entitled to be designated, for the account of Mr. Lyons under the Company's employee profit sharing plan (the "EPSP"). As at the date hereof, 907,738 of the common shares designated, or are entitled to be designated, under the EPSP (the "EPSP Shares") were not yet vested.

(7) 3,394,234 of the 3,643,234 Common Shares were designated, or are entitled to be designated, for the account of Mr. Yuzpe under the EPSP. As at the date hereof, all of the EPSP Shares have vested.

(8) Arthur Richards Rule IV exercises direction or control over 1,200 Common Shares on behalf of Corinne Coury, 1,500 Common Shares on behalf of Ethan Lewis, 1,500 Common Shares on behalf of Nicholas Lewis, 22,122,493 Common Shares on behalf of Exploration Capital Partners 2008 Limited, 30,000 Common Shares on behalf of the Lewis Family Trust, 1,000,000 Common Shares on behalf of the RIBO Trust and 4,000,000 Common Shares on behalf of Term Oil Inc.

(9) Member of the Audit Committee.

(10) 1,675,827 of the 1,801,375 Common Shares were designated, or are entitled to be designated, for the account of Mr. Boggio under the EPSP. As at the date hereof, 907,738 of the EPSP Shares were not yet vested.

(11) 1,675,827 of the 1,772,727 Common Shares were designated, or are entitled to be designated, for the account of Ms Dunne under the EPSP. As at the date hereof, 907,738 of the EPSP Shares were not yet vested.

(12) 1,675,827 of the 1,720,077 Common Shares were designated, or are entitled to be designated, for the account of Mr. Hochstein under the EPSP. As at the date hereof, 907,738 of the EPSP Shares were not yet vested.

(13) 465,411 of the 509,811 Common Shares were designated for the account of Mr. Staresinic under the EPSP. As at the date hereof, all of the EPSP Shares have vested. Michael Staresinic exercises direction or control over 18,000 Common Shares on behalf of Lisa Staresinic.

(14) 488,499 of the 527,211 Common Shares were designated for the account of Mr. Einav under the EPSP. As at the date hereof, all of the EPSP Shares have vested.

(15) 488,499 of the 550,443 Common Shares were designated for the account of Mr. Stronach under the EPSP. As at the date hereof, all of the EPSP Shares have vested.

(16) All of the 26,376 Common Shares were designated for the account of Ms Martin under the EPSP. As at the date hereof, all of the EPSP Shares have vested.

Each of the foregoing individuals have been engaged in the principal occupation set forth opposite his or her name during the past five years or in a similar capacity with a predecessor organization except for: (i) Terrence A. Lyons who, prior to October 2013, was the Chairman of EACOM Timber Corporation (a lumber company); (ii) Stephen Yuzpe who, prior to October 21, 2013, was the CFO of SRC and prior to February 9, 2017 was the CEO and President of SRC; (iii) Joan E. Dunne who was the Vice President, Finance and CFO of Painted Pony Petroleum Ltd. (a junior to mid-sized oil and gas company) until September 2013; (iv) John Embry who, prior to 2015, was the Chief Investment Strategist of SAM; (v) Ron Hochstein, who was Executive Chairman of Denison until January 2015 and President and Chief Executive Officer of Denison from 2009-2014; (vi) Michael Staresinic who, prior to December 2013, was the Vice President, Finance of SII and prior to February 9, 2017 was the CFO of SRC; (vii) Arthur Einav who, prior to February 9, 2017 was General Counsel and Managing Director of SRC; (viii) Michael Harrison who, prior to November 2015, was the Vice President of Corporate Development at Coeur Mining, Inc. (a precious metals producer) and, prior to February 9, 2017, was the

CEO of the Company; (ix) Andrew Stronach who, prior to February 9, 2017, was the managing director of SRC; and (x) Sarah-Jane Martin who, prior to February 9, 2017, was the Associate General Counsel of SRC.

As of the date of this AIF, the directors and executive officers of the Company as a group, beneficially own, directly or indirectly, or exercise control or direction over approximately 45.6 million Common Shares, being approximately 6.7% of the issued and outstanding Common Shares. The information as to the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, by the directors and executive officers, but which are not registered in their names and are not within the knowledge of the Company, has been furnished by such directors and officers.

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

The directors and executive officers of the Company have furnished the following information.

Except as set out further below, no director or executive officer of the Company is, as at the date hereof, or was within 10 years before the date hereof, a director, CEO or CFO of any company (including the Company) that was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, in effect for a period of more than 30 consecutive days:

- (a) that was issued while the director or executive officer was acting in the capacity as director, CEO or CFO, or
- (b) that was issued after the director or executive officer ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO.

In addition, except as set forth below, no director or executive officer of the Company:

- (c) is, as of the date hereof, or has been within 10 years before the date hereof, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (d) has, within 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

Finally, except as set forth below, no director or executive officer of the Company has been subject to:

- (e) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (f) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

On October 13, 2014, RB Energy Inc., ("**RBI**"), a company of which Mr. Ron Hochstein was a director during the period January 31, 2014 to October 3, 2014, announced that, among other things, the board of directors of RBI had approved a filing on October 14, 2014, for an initial order to commence proceedings under the CCAA at the Quebec Superior Court. On October 15, 2014, RBI further announced that the Quebec Superior Court had issued an amended and restated initial order in respect of RBI and certain of its subsidiaries under the CCAA (the "**RBI Court Order**"). RBI is now under the protection of the court. KPMG LLP has been appointed monitor under the RBI Court Order. The TSX de-listed RBI's common shares effective at the close of business on November 24, 2014 for failure to meet the continued listing requirements of the TSX. Since that time, RBI's common shares have been suspended from trading.

Mr. Terrence Lyons was the President and a director of FT Capital Ltd., which was subject to cease trade orders in each of the Provinces of British Columbia, Alberta, Manitoba, Ontario and Quebec for failure to file financial statements for the financial years ended December 31, 2001 and subsequent periods. At the request of Brascan Financial Corporation (now Brookfield Asset Management Inc. ("**Brookfield**")), Mr. Lyons joined the board of FT Capital Ltd. and was appointed its President in 1990 in order to assist in its financial restructuring. In June 2009, FT Capital Ltd. was wound up and Mr. Lyons resigned as a director.

Mr. Lyons was also a director of Royal Oak Ventures Inc. ("**Royal Oak**") at the request of Brookfield, which was subject to cease trade orders in each of the provinces in British Columbia, Alberta, Ontario and Quebec due to the failure of Royal Oak to file financial

statements since the financial year ended December 31, 2003. After restructuring, the cease trade orders were lifted on July 4, 2012. Royal Oak was privatized by Brookfield effective December 31, 2013.

Mr. Lyons was elected to the board of directors of Royal Oak and FT Capital Ltd. because of his valuable experience and expertise in financial restructurings in the insolvency context.

Mr. Boggio was a director of Great Western Minerals Group Ltd. ("GWMG") from January 2013 until his resignation together with all the then current directors in July 2015. On April 30, 2015 GWMG announced that a support agreement was entered into with the holders of a majority of GWMG's secured convertible bonds and GWMG was granted protection from its creditors under the Companies Creditors Arrangements Act upon receiving an initial order from the Court. On May 11, 2015, an order was issued by the Financial and Consumers Affairs Authority of the Province of Saskatchewan that all trading in the securities of GWMG be ceased due to its failure to file financial statements for the year ended December 31, 2014. In December, 2015 GWMG entered bankruptcy proceedings.

On November 15, 2015, OEOG, a company of which Mr. Andrew Stronach was a director of at the time at the request of SRC, announced that it had filed a notice of intention to make a proposal to its creditors under the Bankruptcy and Insolvency Act (Canada). The proposal subsequently made by OEOG was approved by its creditors on April 14, 2016 and by the Court of Queen's Bench of Alberta in Bankruptcy and Insolvency on April 27, 2016. Mr. Stronach ceased to be a director of OEOG on May 30, 2016.

### **Conflicts of Interest**

Certain of the Company's directors and officers currently, or may in the future, act as directors and/or officers of other companies and, consequently, there exists the possibility that a conflict may arise between their duties as a director or officer of the Company and their duties as a director or officer of any such other company. There can be no assurance that while performing their duties for the Company, the Company's directors or officers will not be in situations that could give rise to conflicts of interest. There can be no assurance that these conflicts will be resolved in the Company's favour. As a result of any such conflict, the Company may miss the opportunity to participate in certain transactions, which may have a material adverse effect on the Company.

The Company's directors and officers are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosure by directors and officers of conflicts of interest and the fact that the Company will rely upon such laws in respect of any director's or officer's conflicts of interest or in respect of breaches of duty by any of the Company's directors or officers. All such conflicts must be disclosed by such directors or officers in accordance with the *Canada Business Corporations Act*, and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

In addition, the Company's directors and officers and SCLP, and their respective affiliates, may provide investment, administrative and other services to other entities and parties. The Company's directors and officers, and the directors and officers of SCLP have undertaken to devote such reasonable time as is required to properly fulfill their responsibilities in respect to the Company's business and affairs, as they arise from time to time.

See also "Material Contracts - Management Services Agreement".

## **AUDIT COMMITTEE INFORMATION**

The following information is provided in accordance with Form 52-110F1 under the Canadian Securities Administrators' National Instrument 52-110 - Audit Committees ("NI 52-110").

### **The Audit Committee's Charter**

The text of the Company's Audit Committee Charter is set out in Appendix "A" hereto.

### **Composition of the Audit Committee**

The audit committee of the Company (the "**Audit Committee**") is composed of the following three directors: Lenard F. Boggio (Chair), Joan E. Dunne and Ron Hochstein. All three members are considered "independent" and "financially literate" (as such terms are defined in NI 52-110).

## Relevant Education and Experience

Collectively, the Audit Committee has the education and experience to fulfill the responsibilities outlined in the Audit Committee Charter. The education and current and past experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is summarized below:

| Name                        | Education and Experience  |
|-----------------------------|---|
| Lenard F. Boggio<br>(Chair) | Mr. Boggio was a former partner of PwC. Mr. Boggio has significant expertise in financial reporting, auditing matters and transactional support, previously assisting, amongst others, clients in the mineral resource and energy sectors, including exploration, development and production stage operations in the Americas, Africa, Europe and Asia. Mr. Boggio previously served as a director of Blue Gold Mining Inc., Augusta Resource Corp., Armor Minerals Inc., Polaris Materials Corporation, and Lithium Americas Corp. and currently serves as a director of Equinox Gold Corp. (formerly Trek Mining Inc.), Pure Gold Mining Inc. and Titan Mining Corporation. Mr. Boggio has a Bachelor of Arts Degree in Economics and Politics and an Honors Bachelor of Commerce Degree from the University of Windsor. In 1985 Mr. Boggio became a member of the Institute of Chartered Accountants of British Columbia ("ICABC") and in 1999 he achieved his CPA (Illinois). Mr. Boggio was conferred with an FCA designation in 2007 by the ICABC for distinguished service to the profession and community. He is a past president of the Institute of Chartered Accountants of British Columbia, served as the Chair of the Canadian Institute of Chartered Accountants and currently serves as a Commissioner for the Financial Institutions Commission of British Columbia. |
| Joan E. Dunne               | Ms. Dunne serves on the Board of Directors of Tundra Oil & Gas Limited, where she chairs the Audit Committee. Tundra is a wholly-owned subsidiary of James Richardson & Sons, Limited. Ms. Dunne was Vice President, Finance and CFO of Painted Pony Petroleum Ltd. from start-up in February 2007 until retiring on September 2, 2013. Ms. Dunne was Vice President, Finance and CFO of True Energy Inc., and subsequently True Energy Trust from November 2002 until June 2006. From December 2000 to November 2002 Ms. Dunne consulted for various petroleum companies in the areas of finance, tax and investor relations. Prior thereto, she was Vice President, Finance and CFO of Ionic Energy Inc. since January 1998. From October 1996 until joining Ionic Energy Inc., Ms. Dunne was Vice President, Finance for Petrorep Resources Ltd. Prior thereto and from August 1994 to October 1996, Ms. Dunne held various positions with Barrington Petroleum Ltd, finally as Treasurer. Ms. Dunne graduated from the University of Calgary with a Bachelor of Commerce degree and joined the Canadian Institute of Chartered Accountants in 1983. Ms. Dunne has been a member of the Canadian Performance Reporting Board of CPA Canada (formerly Canadian Institute of Chartered Accountants) since 2012, and is currently the Chair.  |
| Ron Hochstein               | Mr. Hochstein has a wealth of experience in the mining industry. He is currently President and CEO of Lundin Gold Inc. (TSX, Nasdaq Stockholm), a gold development company. Mr. Hochstein also serves as a director of Denison Mines Corp. (TSX, NYSE MKT) and was previously a director and member of the audit committee of Energy Fuels Inc. (TSX, NYSE MKT). Mr. Hochstein is a Professional Engineer and has a B.Sc. in metallurgical engineering from the University of Alberta and an MBA from the University of British Columbia.   |

## Pre-Approval Policies and Procedures

The Audit Committee is responsible for the oversight of the work of the external auditor. As part of this responsibility, the Audit Committee is required to pre-approve the audit and non-audit services performed by the external auditor in order to assure that they do not impair the external auditor's independence from the Company. Accordingly, the Audit Committee adopted an Audit and Non-Audit Pre-Approval Policy (the "**Pre-Approval Policy**"), which sets forth the procedures and the conditions pursuant to which services proposed to be performed by the external auditor may be pre-approved.

Unless a type of service has received the pre-approval of the Audit Committee for the fiscal year pursuant to the Pre-Approval Policy, it requires specific pre-approval by the Audit Committee if it is to be provided by the external auditor. Any proposed services exceeding the pre-approved cost levels or budgeted amounts for the fiscal year as specified in the Pre-Approval Policy, will also require specific pre-approval by the Audit Committee.



The Audit Committee considers whether such services raise any issue regarding the independence of the external auditor. For this purpose, the Audit Committee also takes into account whether the external auditor is best positioned to provide the most effective and efficient service, for reasons such as its familiarity with the Company's business, people, culture, accounting, systems, risk profile and other factors and whether the service might enhance the Company's ability to manage or control risk or improve audit quality. All such factors are considered as a whole, and no one factor is necessarily determinative.

The Audit Committee is also mindful of the relationship between fees for audit and non-audit services in deciding whether to pre-approve any such services and may determine, for each fiscal year, the appropriate ratio between the total amount of fees for audit services, and audit-related services and the total amount of fees for tax services and for certain permissible non-audit services classified as all other services.

The Pre-Approval Policy describes the audit, audit-related, tax and all other services that have been granted the pre-approval of the Audit Committee. The term of such pre-approval is 12 months from the date of pre-approval, unless the Audit Committee considers a different period and states otherwise. The Audit Committee annually reviews and pre-approves the services that may be provided by the external auditor without obtaining specific pre-approval from the Audit Committee. The Audit Committee can add or subtract to the list of pre-approved services from time to time, based on subsequent determinations.

The Pre-Approval Policy also outlines a list of prohibited non-audit services which may not be provided by the Company's external auditor.

On March 1, 2018, the Audit Committee granted pre-approval for all audit, audit-related, tax and all other services to be provided to the Company by the external auditor as specified in the Pre-Approval Policy to an aggregate annual (2018 fiscal year) maximum of \$350,000 (other than specifically pre-approved audit services).

#### **External Auditor Service Fees (By Category)**

For the years ended December 31, 2017 and 2016, PwC and its affiliates received or accrued fees from the Company as detailed below:

|                           | <b>December 31, 2017</b> | <b>December 31, 2016</b> |
|---------------------------|--------------------------|--------------------------|
|                           | (\$)                     | (\$)                     |
| <b>Audit Fees</b>         | 188,000                  | 186,000                  |
| <b>Audit-Related Fees</b> | 62,000                   | 39,000                   |
| <b>Tax Fees</b>           | 7,000                    | —                        |
| <b>Total Fees</b>         | 257,000                  | 225,000                  |

The "Audit Fees" noted above were paid to PwC in connection with the annual audits and quarterly reviews. The "Audit-Related Fees" noted above for 2017 were paid to PwC in connection with the Arrangement and S.C. Minera Tres Valles. "Tax Fees" relate to tax compliance work in respect of Canadian corporate tax returns and tax planning advice.

#### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as described elsewhere herein or otherwise not required to be disclosed herein, to the knowledge of the Company, no (i) director or executive officer of the Company, (ii) person or company who beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of outstanding voting securities of the Company; or (iii) associate or affiliate of any of the persons or companies referred to in (i) or (ii), has any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

The Company's directors and officers are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosure by directors and officers of conflicts of interest and the fact that the Company will rely upon such laws in respect of any director's or officer's conflicts of interest or in respect of breaches of duty by any of its directors or officers. All such conflicts must be disclosed by such directors or officers in accordance with the CBCA, and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law

On November 11, 2014, SRC as the borrower and SRP as the guarantor, entered into the \$20 million Credit Facility with SRLC (Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2600, Toronto, Ontario, M5J 2J1), a subsidiary of SII. The Credit Facility

was subsequently reduced to \$18.0 million during the third quarter of 2015. On October 13, 2016, SRC repaid the Credit Facility in full.

For the year ended December 31, 2017 the Company (or SRC) paid and accrued to SCLP management services fees in the amount of \$2.9 million (2016: \$2.2 million; 2015: \$3.6 million) for services SCLP rendered to the Company (or SRC) in accordance with the terms of the then-applicable management services agreement (most recently being the MSA, see "*Material Contracts - Management Services Agreement*"). In 2017, 2016 and 2015, SRCLP did not accrue a management profit distribution pursuant to the then applicable partnership agreement governing SRP (most recently being the Third Amended and Restated Partnership Agreement). The Third Amended and Restated Partnership Agreement cancelled the management profit distribution provision. On October 2, 2017, SRP was restructured resulting in an effective amalgamation with SRC and the Third Amended and Restated Partnership Agreement was terminated.

The general partner of SCLP is Sprott Consulting GP Inc. The directors and officers of Sprott Consulting GP Inc. are: Peter Grosskopf (CEO and director), Stephen Yuzpe (President), Michael Staresinic (CFO), Andrew Stronach (Managing Director) and Arthur Einav (Managing Director, General Counsel and Secretary). The sole limited partner of SCLP, and the sole shareholder of Sprott Consulting GP Inc., is SII. The directors and officers of Sprott Inc. are: Jack C. Lee (Chairman), Peter Grosskopf (CEO and director), Sharon Ranson (director), Arthur Richards Rule IV (director), Rosemary Zigrossi (director), Kevin Hibbert (Managing Director and CFO) and Arthur Einav (Managing Director, General Counsel and Corporate Secretary). Sprott Inc. is a publicly traded corporation on the TSX (TSX:SII).

## TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares and the warrant agent for the Warrants is TSX Trust Company, located at 100 Adelaide Street West, Suite 301, Toronto, Ontario, Canada M5H 4H1.

The register of transfers of the Common Shares and Warrants is located in the Toronto office of TSX Trust Company.

## MATERIAL CONTRACTS

The following are the contracts of the Company entered into since January 1, 2017 and any other contract entered into prior to 2017 that is still in effect as of the date of this AIF, in each case that is currently material to the Company, other than contracts entered into in the ordinary course of business:

- the MSA;
- the joint venture and shareholders agreement dated December 19, 2011, among ADI, WISCO JVCo, WISCO and LOM;
- the arrangement agreement dated November 29, 2016 between SRC and the Company (the "**Arrangement Agreement**");
- the Warrant Indenture; and
- the share purchase agreement dated August 21, 2017 among Inversiones Porto San Giorgio S.A., Vecchiola S.A. (collectively, the "**Sellers**"), the Company and SRH Chile SpA (the "**Share Purchase Agreement**").

### Management Services Agreement

SRC entered into a management services agreement (the "**First MSA**") with Sprott Consulting Ltd. ("**SCL**"), a then wholly-owned subsidiary of Sprott Asset Management Inc. ("**SAM**"), on September 4, 2007. SCL subsequently assigned the First MSA to SCLP, the successor to SCL, as part of an internal reorganization involving SAM and its subsidiaries.

On October 1, 2011, the SRC Board and the general partner of SCLP approved changes to the First MSA as part of a corporate reorganization and an amended and restated MSA between the Company and SCLP (the "**Amended and Restated MSA**") was entered into.

On May 11, 2015, the SRC 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 SRC's adoption of IFRS 10, *Consolidated Financial Statements* and to better align the interests of SRC and SCLP.

As a condition precedent to the closing of the Arrangement, the Second Amended and Restated MSA was terminated and the Company entered into the MSA effective February 9, 2017. As a result of the Company's transition to a diversified holding company, the MSA was amended effective February 1, 2018

Pursuant to the MSA, SCLP has agreed to provide management and other administrative services to the Company. These services include, amongst other things, administering day-to-day business affairs (including identifying and making investment decisions relating to the Company in consultation with the Company), assisting in the compliance with regulatory and securities legislation, and managing the Company's internal accounting, asset valuation, audit and legal functions. In addition, SCLP provides the Company with two individuals as nominees to serve as directors; one individual as nominee to serve as a director, president and CEO; and one individual to serve as CFO.

The MSA became effective on February 9, 2017 and shall be in force until terminated by one of the parties upon one (1) year prior written notice (or such shorter period as the parties may mutually agree upon) or otherwise terminated pursuant to its terms. If the MSA is terminated by the Company, other than for reasons described in the remainder of this paragraph, the Company shall pay to the SCLP within five business day of such termination a termination payment equal to 1% of the Net Asset Value. The MSA will terminate immediately where a winding-up, liquidation, dissolution, bankruptcy, sale of substantially all assets, sale of business or insolvency proceeding has been commenced or is being contemplated by SCLP, and will terminate upon the completion of any such proceeding by the Company. The Company may terminate the MSA at any time if SCLP breaches any of its material obligations thereunder and such breach has not been cured within 30 days following notice thereof from the Company. In addition, in the event that a person or group of persons, acting jointly or in concert, acquires control over at least 50% of the voting securities of the Company (a "**Change of Control**"), SCLP may elect, in its sole discretion, to terminate the MSA by giving the Company written notice of such termination within 90 days after such Change of Control. In the event that SCLP terminates the MSA upon a Change of Control, the MSA requires the Company to (i) pay a termination fee to SCLP equal to 3% of the Net Asset Value, plus (if and to the extent applicable) an amount equal to 20% of the amount by which the market capitalization of the Company exceeds the Net Asset Value, all as of the effective date of the termination, and (ii) call a meeting of shareholders to approve changing the Company's name to remove any reference to "Sprott". The "**Net Asset Value**" on a termination date is the amount equal to the Fair Value of the Company's total assets less its total liabilities, all as at such date as set forth in the Management's Discussion and Analysis of the Company prepared as at such date. "**Fair Value**" means the highest price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms-length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.

In consideration for the management and administrative services provided by SCLP to the Company pursuant to the MSA, the Company is required to pay SCLP, in respect of each fiscal quarter, a management services fee (the "**Management Services Fee**") equal to 0.5% of the Quarterly Net Asset Value for such fiscal quarter, less the total remuneration paid directly by the Company to all persons nominated by SCLP as employees, officers or directors of the Company who provide investment management services to the Company (the "**Management Personnel**") but excluding any expenses recorded as a result of the granting of stock options under the Company's stock option plan for such fiscal quarter. To the extent that the Quarterly Net Asset Value for a fiscal quarter is in excess of \$1 billion, the Management Services Fee will be reduced to 0.375%. The "**Quarterly Net Asset Value**" in respect of a fiscal quarter of the Company is the amount equal to the average of the Net Asset Value as at the end of such fiscal quarter and the Net Asset Value as at the end of the immediately preceding fiscal quarter. The Company is also responsible for all reasonable expenses incurred by SCLP in connection with its duties pursuant to the MSA provided that the Company shall not pay the rent and customary investment management services expenses of the Management Personnel.

If and to the extent that SCLP is requested in writing by the Board to render services to the Company other than those required to be rendered pursuant to the MSA, such additional services and activities will be compensated for separately and will be on such terms that are generally no less favourable to the Company than those available from arm's length parties (within the meaning of the Tax Act) for comparable services. In addition to the Management Services Fee payable to SCLP pursuant to the MSA, the Company will be responsible for paying all fees and expenses incurred in connection with the operation and administration of its business.

The Adjusted Annual Operating Expenses shall not exceed 3% of the Annual Net Asset Value in respect of fiscal years commencing with the Company's fiscal year ended December 31, 2018 and thereafter (the "**Maximum Adjusted Annual Operating Expenses**"). Where such Adjusted Annual Operating Expenses exceed the Maximum Adjusted Annual Operating Expenses (unless otherwise consented to by the Board), the Management Services Fee payable by the Company to SCLP in respect of the last quarterly payment to be made in respect of such fiscal year shall be reduced to ensure the Adjusted Annual Operating Expenses are equal

to (or, in any case, do not exceed) the applicable Maximum Adjusted Annual Operating Expenses. For the period February 9, 2017 to December 31, 2017, the Company's annualized Adjusted Annual Operating expense was less than 3.25%. "**Annual Net Asset Value**" means, in respect of a fiscal year, the average of each Quarterly Net Asset Value for such fiscal year. "**Adjusted Annual Operating Expenses**" means for any fiscal year the Management Services Fee calculated in accordance with Section 5 of the MSA, plus the other general and administrative expenses incurred in connection with the operation and administration of the Consolidated Company as set forth in this Agreement, less: (i) costs resulting from servicing debt of the Consolidated Company; (ii) costs incurred in the purchasing or selling of the Consolidated Company's direct or indirect investments; (iii) initial and ongoing expenses recorded as a result of the granting of stock options under the Company's stock option plan other than those granted to directors of the Company; (iv) mark-to-market stock-based compensation paid by the Consolidated Company; (v) any taxes imposed on the Consolidated Company by government authorities; and (vi) any other amounts as approved by the Conflict Resolution, Corporate Governance and Nominating Committee. "**Consolidated Company**" means the Company and its non-operating subsidiaries.

Pursuant to the MSA, SCLP shall, and shall ensure that its nominees shall, exercise the powers granted and discharge its, and their, duties under the MSA honestly, in good faith and in the best interests of the Company and, in connection therewith, shall exercise the degree of care, diligence and skill that a reasonably prudent manager, or Person, would exercise in comparable circumstances. Subject to the duty of an affiliate to offer opportunities it identifies to its client(s), unless the Board otherwise permits, all suitable opportunities coming to the attention of SCLP or its affiliates to make private equity investments in the natural resource sector shall first be offered to the Company.

The Company's Board has determined it to be expedient and in the best interests of the Company to adopt and adhere to an Investment Approval Authority Limits Policy, which details the role of the Board in approving initial and follow-on investments by SRC based on specified monetary thresholds. Pursuant to the policy, initial and follow-on investments by SRC with a transaction value below a specified dollar amount can be approved by SRCLP, as managing partner, while larger initial and follow-on investments by SRC require the prior approval of the Board.

Pursuant to the MSA, the Company has agreed to indemnify SCLP and its directors and officers, among others, in respect of certain losses and claims, subject to prescribed exceptions.

A copy of the MSA has been filed under the Company's profile on SEDAR and can be found at [www.sedar.com](http://www.sedar.com).

For the year ended December 31, 2017, the Company (i) paid or accrued to SCLP a Management Services Fee in the amount of approximately \$2.9 million for services SCLP rendered to the Company in accordance with the terms of the applicable MSA (such amount includes the management compensation amount of approximately \$1.2 million); and (ii) paid or accrued to SCLP approximately \$7 thousand for reimbursable expenses in accordance with the terms of the applicable MSA. For details of the applicable MSA for the year ended December 31, 2017, see "Management Contracts - the MSA" in the the Corporation's management information circular dated March 24, 2017, a copy of which has been filed under the Corporation's profile on SEDAR and can be found at [www.sedar.com](http://www.sedar.com).

## **LOM JV Agreement**

The Company entered into a joint venture and shareholders agreement, dated December 19, 2011, among the Company, WISCO JVCo, WISCO and LOM (the "**LOM JV Agreement**"). As part of this transaction, in March 2011, the Company and WISCO also completed a private placement pursuant to a subscription agreement dated February 15, 2011 between the Company and WISCO (the "**WISCO Subscription Agreement**"), through which WISCO acquired a 19.9% interest in the Company at \$0.97 per Common Share for gross proceeds of approximately \$28 million. Pursuant to the WISCO Subscription Agreement, WISCO has been and continues to be entitled (but not obligated) to nominate one individual for appointment or election, from time to time, to the Board and, if more than a total of eight nominees are to be proposed for election as directors of the Company, WISCO would be also entitled to nominate one additional individual for election to the Board (such individual, also a WISCO Nominee). On the formation of LOM, WISCO funded an additional approximately \$92 million for a total of approximately \$120 million provided by WISCO. Of this additional amount, \$40 million was injected into LOM and approximately \$52 million was paid to the Company. The Company's interest in the LOM Project is held through LOM. WISCO acquired a 60% interest in LOM while the Company continues to hold the remaining 40% interest. As part of the LOM JV Agreement, WISCO has agreed to use commercial best efforts to assist LOM to obtain project financing for 70% of the development costs required to achieve the start of commercial production for the LOM Project, the size and scope of which would be determined by a bankable feasibility study. Further, WISCO agreed to provide dilution protection to the Company by providing funding assistance in certain circumstances subject to the terms of the LOM JV Agreement

in the event that the Company has difficulty in funding its share of any cash call prior to the achievement of commercial production. The Company and WISCO have agreed to purchase all of the production from the LOM JV at fair market value in proportion to their respective equity interests. The Company has the right to appoint two of the five directors of LOM. The LOM JV Agreement contains certain other provisions in respect of LOM and budgets, shareholder funding and WISCO assistance in connection therewith, transfer of LOM's rights and interests and termination and dissolution.

Following the formation of LOM, the Company's major strategic objective in advancing the LOM Project was to complete a bankable feasibility study in respect of the LOM Project. In 2013, Watts, Griffis and McOuat Limited ("**WGM**") was retained to provide an updated mineral resource estimate in respect of the LOM Project based on previous drilling and exploration results and to document its findings in a technical report compliant with NI 43-101 and CIM definitions. In parallel, SNC-Lavalin Inc. ("**SLI**") was mandated to produce a feasibility study in respect of the LOM Project based on the assumptions that a 50 million tonnes of product per year open pit mine and concentrator operation would be constructed together with the required tailings disposal works and site infrastructure. Trade-off studies to decide on the final product (pellets or concentrate), product delivery system and power supply type and logistics were part of the SLI study. A new port facility to be constructed at the Sept-Îles Port, capable of servicing +400,000 DWT vessels, was also assumed. Met-Chem Canada Inc. ("**Met-Chem**") was mandated to assemble an NI 43-101 compliant technical report based on the WGM mineral resources estimate and the SLI study titled "Lac Otelnuk Project Feasibility Study - NI 43-101 Technical Report" dated March 25, 2015 and issued on April 23, 2015 (the "**LOM Technical Report**"). A complete copy of the LOM Technical Report is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Arrangement Agreement**

SRC and the Company entered into the Arrangement Agreement providing for, among other things, the terms of the Arrangement, the conditions to the completion of the Arrangement, actions to be taken prior to and after the effective date of the Arrangement and certain indemnities. The parties to the Arrangement Agreement also made certain representations and warranties to each other and agreed to certain other terms and conditions which are customary in a transaction of the nature of the Arrangement. The Company encourages investors to review the detailed description of the Arrangement Agreement appearing in the section titled "*Effect of the Arrangement - The Arrangement Agreement*" in the joint management proxy circular of SRC and the Company dated December 21, 2016 (the "**Joint Circular**"), which section is incorporated by reference into this AIF. See also "*General Developments of the Business*". Complete copies of the Arrangement Agreement and Joint Circular are available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Warrant Indenture**

For the particulars of the Warrant Indenture, see "*Capital Structure - Warrants*". A complete copy of the Warrant Indenture is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Share Purchase Agreement**

On August 21, 2017, the Company and SRH Chile SpA, a wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement pursuant to which the Company closed its acquisition of 70% of the outstanding equity of MTV from the Sellers for an aggregate purchase price of USD\$39.9 million, consisting of USD\$33.5 million in cash on hand and approximately USD\$6.4 million aggregate amount of Common Shares. A total of 51,191,847 Common Shares were issued to the Sellers in connection with the acquisition which closed on October 2, 2017. The Share Purchase Agreement contains a number of conditions to the completion of the acquisition and customary covenants, representations and warranties of the Company and the Sellers. See "*General Developments of the Business*" and "*Mining Sector - MTV*". A complete copy of the Share Purchase Agreement is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The foregoing summaries of certain aspects of the Company's material contracts are qualified in their entirety by the full text of such contracts.

## INTERESTS OF EXPERTS

### **Names and Interests of Experts**

#### ***Auditors***

The Company's auditors are PricewaterhouseCoopers LLP, Chartered Accountants, PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, M5J 0B2. PwC have advised that they are independent of the Company in accordance with applicable rules of professional conduct.

#### ***Qualified Persons***

The scientific and technical information regarding the MTV property included in this AIF has been reviewed and approved by Michael G. Hester, Vice President, IMC, M.S. Mining Engineering; Gabriel Vera, President, GVMetallurgy, Metallurgical Engineer; and Enrique D. Quiroga Vega, Mining Engineer, Q & Q Ltda., each of whom is an independent "qualified person" (as defined in NI 43-101) and was involved in the preparation of the MTV Technical Report. Scientific and technical information regarding the MTV property has been included in this AIF in reliance on their expertise.

The Company has been advised that each of the foregoing experts holds less than 1% of the securities of any class issued by the Company.

## ADDITIONAL INFORMATION

Additional information relating to the Company may be found under the Company's profile on SEDAR at [www.SEDAR.com](http://www.SEDAR.com).

Additional information, including directors' and officers' remuneration, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, is contained in the Company's information circular for its most recent annual meeting of security holders involving the election of directors.

Additional financial information is provided in the Company's financial statements and management's discussion and analysis for its most recently completed financial year.

## APPENDIX "A"

### SPROTT RESOURCE HOLDINGS INC.

#### Audit Committee Charter

(Adopted by the Board effective February 9, 2017)

#### I. Mandate and Purpose of the Committee

The Audit Committee (the "Committee") of the board of directors (the "Board") of Sprott Resource Holdings Inc. (the "Company") is a standing committee of the Board whose primary function is to assist the Board in fulfilling its oversight responsibilities relating to:

- (a) the integrity of the Company's financial statements;
- (b) the Company's compliance with legal and regulatory requirements, as they relate to the Company's financial statements;
- (c) the qualifications, independence and performance of the Company's auditor;
- (d) internal controls and disclosure controls; and
- (e) performing the additional duties set out in this Charter or otherwise delegated to the Committee by the Board.

#### II. Authority

The Committee has the authority to:

- (a) engage and compensate independent counsel and other advisors as it determines necessary or advisable to carry out its duties; and
- (b) communicate directly with the Company's auditor.

The Committee has the authority to delegate to individual members or subcommittees of the Committee.

#### III. Composition and Expertise

The Committee shall be composed of a minimum of three members, each whom is a director of the Company. Each Committee member must be "independent" and "financially literate" as such terms are defined in applicable securities legislation.

Committee members shall be appointed annually by the Board at the first meeting of the Board following each annual meeting of shareholders. Committee members hold office until the next annual meeting of shareholders or until they are removed by the Board or cease to be directors of the Company.

The Board shall appoint one member of the Committee to act as Chair of the Committee. If the Chair of the Committee is absent from any meeting, the Committee shall select one of the other members of the Committee to preside at that meeting.

#### IV. Meetings

The Committee shall meet at least four times per year and as many additional times as the Committee deems necessary to carry out its duties. The Chair shall develop and set the Committee's agenda, in consultation with other members of the Committee, the Board and senior management.

Notice of the time and place of every meeting shall be given in writing to each member of the Committee, at least 24 hours (excluding holidays) prior to the time fixed for such meeting. The Company's auditor shall be given notice of every meeting of the Committee and, at the expense of the Company, shall be entitled to attend and be heard thereat. If requested by a member of the Committee, the Company's auditor shall attend every meeting of the Committee held during the term of office of the Company's auditor.

A majority of the Committee shall constitute a quorum. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present in person or by means of such telephonic, electronic or other communications facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously.

The Committee may invite such directors, officers and employees of the Company and advisors as it sees fit from time to time to

attend meetings of the Committee.

The Committee shall meet without management present whenever the Committee deems it appropriate.

The Committee shall appoint a Secretary who need not be a director or officer of the Company. Minutes of the meetings of the Committee shall be recorded and maintained by the Secretary and shall be subsequently presented to the Committee for review and approval.

## **V. Committee and Charter Review**

The Committee shall conduct an annual review and assessment of its performance, effectiveness and contribution, including a review of its compliance with this Charter. The Committee shall conduct such review and assessment in such manner as it deems appropriate and report the results thereof to the Board.

The Committee shall also review and assess the adequacy of this Charter on an annual basis, taking into account all legislative and regulatory requirements applicable to the Committee, as well as any guidelines recommended by regulators or the Toronto Stock Exchange and shall recommend changes to the Board thereon.

## **VI. Reporting to the Board**

The Committee shall report to the Board in a timely manner with respect to each of its meetings held. This report may take the form of circulating copies of the minutes of each meeting held.

## **VII. Duties and Responsibilities**

### **(a) Financial Reporting**

The Committee is responsible for reviewing and recommending approval to the Board of the Company's annual and interim financial statements, MD&A and related news releases, before they are released.

The Committee is also responsible for:

- (i) being satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, other than the public disclosure referred to in the preceding paragraph, and for periodically assessing the adequacy of those procedures;
- (ii) engaging the Company's auditor to perform a review of the interim financial statements and receiving from the Company's auditor a formal report on the auditor's review of such interim financial statements;
- (iii) discussing with management and the Company's auditor the quality of generally accepted accounting principles ("GAAP"), not just acceptability of GAAP;
- (iv) discussing with management any significant variances between comparative reporting periods; and
- (v) in the course of discussion with management and the Company's auditor, identifying problems or areas of concern and ensuring such matters are satisfactorily resolved.

### **(b) Auditor**

The Committee is responsible for recommending to the Board:

- (i) the auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company; and
- (ii) the compensation of the Company's auditor.

The Company's auditor reports directly to the Committee. The Committee is directly responsible for overseeing the work of the Company's auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the Company's auditor regarding financial reporting.

### **(c) Relationship with the Auditor**

The Committee is responsible for reviewing the proposed audit plan and proposed audit fees. The Committee is also responsible for:



- (i) establishing effective communication processes with management and the Company's auditor so that it can objectively monitor the quality and effectiveness of the auditor's relationship with management and the Committee;
- (ii) receiving and reviewing regular feedback from the auditor on the progress against the approved audit plan, important findings, recommendations for improvements and the auditor's final report;
- (iii) reviewing, at least annually, a report from the auditor on all relationships and engagements for non-audit services that may be reasonably thought to bear on the independence of the auditor;
- (iv) meeting in camera with the auditor whenever the Committee deems it appropriate;
- (v) annually, or more frequently as necessary, completing an assessment of the performance of the Company's auditor; and
- (vi) every four years, or more frequently as necessary, completing a comprehensive review of the performance of the Company's auditor.

(d) **Accounting Policies**

The Committee is responsible for:

- (i) reviewing the Company's accounting policy note to ensure completeness and acceptability with GAAP as part of the approval of the financial statements;
- (ii) discussing and reviewing the impact of proposed changes in accounting standards or securities policies or regulations;
- (iii) reviewing with management and the auditor any proposed changes in major accounting policies and key estimates and judgments that may be material to financial reporting;
- (iv) discussing with management and the auditor the acceptability, degree of aggressiveness/conservatism and quality of underlying accounting policies and key estimates and judgments; and
- (v) discussing with management and the auditor the clarity and completeness of the Company's financial disclosures.

(e) **Risk and Uncertainty**

The Committee is responsible for reviewing, as part of its approval of the financial statements:

- (i) uncertainty notes and disclosures; and
- (ii) MD&A disclosures.

The Committee, in consultation with management, will identify the principal business risks and decide on the Company's "appetite" for risk. The Committee is responsible for reviewing related risk management policies and recommending such policies for approval by the Board. The Committee is then responsible for communicating and assigning to the applicable Board committee such policies for implementation and ongoing monitoring.

The Committee is responsible for requesting the auditor's opinion of management's assessment of significant risks facing the Company and how effectively they are managed or controlled.

(f) **Controls and Control Deviations**

The Committee is responsible for reviewing:

- (i) the plan and scope of the annual audit with respect to planned reliance and testing of controls; and
- (ii) major points contained in the auditor's management letter resulting from control evaluation and testing.

The Committee is also responsible for receiving reports from management when significant control deviations occur.

(g) **Compliance with Laws and Regulations**

The Committee is responsible for reviewing regular reports from management and others (e.g. auditors) concerning the Company's compliance with financial related laws and regulations, such as:

- (i) tax and financial reporting laws and regulations;
- (ii) legal withholdings requirements;
- (iii) environmental protection laws; and
- (iv) other matters for which directors face liability exposure.

VIII. **Non-Audit Services**

All non-audit services to be provided to the Company or its subsidiary entities by the Company's auditor must be pre-approved by the Committee.

IX. **Submission Systems and Treatment of Complaints**

The Committee is responsible for establishing procedures for:

- (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
- (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

X. **Hiring Policies**

The Committee is responsible for reviewing and approving the Company's hiring policies regarding partners, employees and former partners and employees of the present and former auditor of the Company.

**APPENDIX "B"**

**MTV TECHNICAL REPORT SUMMARY**

**[See Next Page]**

## **1.0 Summary**

### **1.1 General**

The purposes of this Technical Report are as follows:

- Develop an NI 43-101 compliant Mineral Resource estimate for the Don Gabriel and Papomono mineral deposits,
- Present the results of a Preliminary Feasibility Study for the implementation of chloride media leaching, and
- Present a Feasibility Study for the expansion of the Don Gabriel Manto open pit.

This work commenced during September 2017 and was completed during March 2018.

### **1.2 Property Description and Ownership**

Minera Tres Valles SpA (“MTV”) is located in the southern part of the Coquimbo Region, in the central portion of Chile. Figure 1-1 shows the locations. It corresponds to the narrowest part of the country, with only 90km from the coast to the Argentine border. The mine-plant complex is located around the borderline between the counties of Salamanca and Illapel, both of which are part of the Choapa Province.

The mines are located between latitude 31°39'50" S and 31°42'20" S and longitude 70°55'00" W and 70°57'35" W, while the plant is around the coordinates 31°43'43" S and 71°00'45" W.

There are two types of mining concessions in Chile, exploration concessions and exploitation concessions. With exploration concessions, the titleholder has the right to carry out all types of exploration activities within the area of the concession. Exploration concessions can overlap, but only the titleholder with the earliest dated exploration concession over the area as indicated by their identification (ROL) number, can exercise these rights. For each exploration concession, the titleholder must pay an annual fee per hectare to the Chilean Treasury. Exploration concessions have duration of two years. At the end of this period, the concession may be renewed for 2 more years, in which case at least 50 % of the surface area must be renounced; or converted, in total or in part, into exploitation concessions. With exploitation concessions, the titleholder has the right to explore and exploit the minerals located within the concession area and to take ownership of the extracted minerals. Exploitation concessions can overlap, but only the titleholder with the earliest dated exploitation concession over the area can exercise these rights. The titleholder must pay an annual fee to the Chilean Treasury of approximately 1/10 of the Unidad Tributaria Mensual (“UTM”), at this time about US\$ 7.88 per hectare. Exploitation concessions are of indefinite duration, and therefore do not expire. Concession owners do not necessarily have surface rights to the underlying land; however, they do have the right to explore or exploit the concession.

Figure 4-2 of the Technical Report shows the current status of the mining claims. A list of the claims is included in the appendix of the Technical Report. MTV has the mining rights to 229 exploitation concessions (46,378 ha), 215 of which are fully constituted and registered (44,185

ha) and 14 (2,193 ha) that are under administrative process, waiting perfection, performing topographic survey, or are “second floor” covering of previous MTV concessions in order to close small gaps (“demasiás”). All relevant areas in the mine and the plant are fully covered and rights-assured by exploitation definitive concession (in Chile the exploitation concessions have no term). There are three concessions with partial superposition with third-parties, none of them relevant for the current exploitation of the project.



**Figure 1-1. Project Location, MTV 2018**

### 1.3 Geology and Mineralization

As Figure 1-1 shows the MTV Project consists of two main deposit areas about 5km apart. The Don Gabriel area hosts the Don Gabriel Manto and Don Gabriel Vein deposits. The Papomono (“PPM”) area consists of seven known deposits: Massivo, Cumbre, Mantos Connection, PPM South, Mantos North, PPM North, and Epithermal. Figure 1-2 shows the relative location of the various PPM deposits. Mantos North and the Cumbre pit were heavily exploited during the Vale tenure.

MTV is located in the prolific Cretaceous belt of Chile, which hosts a vast amount of copper deposits, ranging from small to world-class size. This belt presents a variety of deposit types, the most common being the IOCG (Iron Oxide Copper Gold) and the Cu-Ag stratabound, also called “mantos”. The first type of mineralization, IOCG, is more common in the Atacama Region and throughout the north of Chile. These deposits can reach gigantic sizes, such as Candelaria, which in 21 years has produced 3.6Mt of payable copper. On the other hand, the stratabound, “manto-type” deposits are more common from Atacama Region to the south. The largest examples are El Soldado and Michilla. There are also some Cu-Au porphyries in the Cretaceous belt, which the largest is Andacollo. Finally, minor skarn and Cu-Au veins are found all over the belt.

MTV is located in a regional horst-graben system, formed by a 10 km wide corridor of volcanic rocks, and bordered by km-scale N-S faults. To the west and east intrusive granodioritic to dioritic rocks prevail, which are from the Early Cretaceous age Illapel Super-Group unit. The

volcanic rock forms a thick package of flat layering or gently dipping beds of lava, pyroclastic and epiclastic rocks from middle to upper Cretaceous.

Lithostratigraphically, the volcanic rocks belong to two main units. The slopes of the valleys form pediments of the Quebrada Marquesa Formation, from the Barremian-Albian age. In the Salamanca-Illapel region the predominance is the Quellen Member, which is characterized by an intercalation of andesitic lava, volcanic breccias and agglomerates, with subordinate sandstones. Overlying it, in unconformity relation, is the Viñita Formation, of Upper Cretaceous age. It is generally horizontal bedding and this attitude is demonstrated by characteristic plateaus (tableland) geomorphologies like Llanos de Talhuen, between Choapa and Chalinga rivers and Cerro Carrizo-Los Linderos, north of Chalinga Valley. Its limits also form cliffs and escarpments. The basal zone is predominately oxidized levels of sandstones and conglomerates (Sta. Virginia Mb) while near the top lava and volcanoclastics dominates (Rio Manque Mb). Besides the obvious geomorphologic distinction, the Viñita Fm. stands out by its reddish colors, contrasting with dominant gray tones from the Quebrada Marquesa Formation.

Remnants of Tertiary tuffs can be seen forming isolated outcrops in the upper parts of the plateau while quaternary coverage fills the E-W orientated main valleys.

At MTV, the Quebrada Marquesa Fm is the main host rock for stratabound copper mineralization, and in the Viñita Fm only some skarns, minor veins or manganese beds are found.

The concession block is outlined by two main regional faults: Manquehua and Llimpo. These faults can be easily identified when producing the sharp contact between intrusive and volcanic rocks but can also be clearly seen in aeromagnetic surveys.

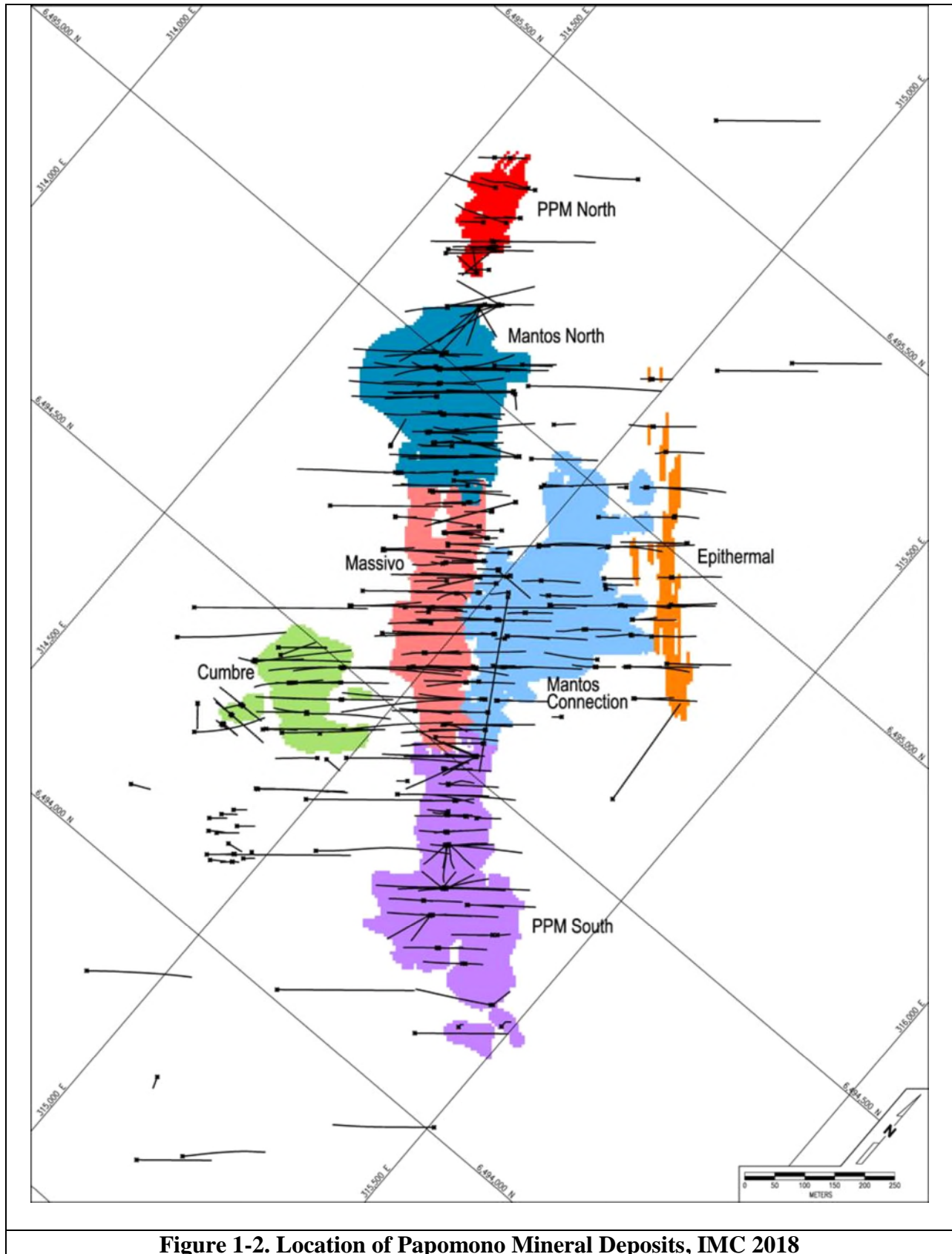
In district scale most of the known Manto-type deposits are close to the west regional fault, called the Manquehua Fault. The Llimpo Fault, to the east, is less evident and only skarn or vein copper deposits have been found to date.

#### 1.4 Exploration Status

There has been no significant exploration since the Vale tenure. Currently, the main development priorities are the expansion of production from the Don Gabriel Manto open pit, and conducting a pre-feasibility study of the Papomono (“PPM”) Massivo to support a development decision.

Once these priorities are met, IMC anticipates additional exploration drilling in known deposits, including the Don Gabriel Veins, the Epithermal Vein, Cumbre, and others to upgrade inferred mineral resource to measured and indicated mineral resource.

There are also additional known targets to examine on the MTV claim block. Most of these are identified through geophysical signatures.



**Figure 1-2. Location of Papomono Mineral Deposits, IMC 2018**

## 1.5 Development and Operations

MTV is a grassroots discovery made by Vale in 2005. After assessing some opportunities, a 3.5-year term purchase option contract was signed in March 2005 with Minera Werenfried for a block of 25,000 ha of mining properties in the Choapa Province. Field reconnaissance identified several albite-rich rocks with chalcocite and copper oxide mineralization that was being exploited by artisanal miners. The high concentration of copper occurrences aligned through a 6 km structure in the Manquehua Valley led to the interpretation of potential significant mineral deposits lying underneath.

After a few years of exploration, drilling, and evaluation, the project was approved by Vale's board for construction in 2008, triggering the purchase of 90% of the asset from Minera Werenfried. Total investment on the project during project and operation stages was US\$ 241 million. The designed crushing and SX-EW plant had a design capacity of 5,500 tpd ore and 50.7 tpd copper cathodes respectively.

In December 2010 the plant was inaugurated and in February 2011 the first cathodes were produced. The plant feed was from Papomono underground, the Cumbre open pit and Enami-purchased ore. In 2012 a third-party ore purchase system was implemented, sourcing ore from local miners.

The road to Don Gabriel was finished in June 2012, allowing the open pit to start production. After several adjustments and improvements in the crushing plant, maximum capacity was reached during the second half of 2012, and eventually surpassed 5,600 tpd during 10 months. A monthly production of 1,330 tonnes of cathodes was reached in November 2012.

At the end of 2012 Vale decided to sell MTV, among other international assets. New projects were frozen from this moment on, except for the quaternary crusher, which was already being built and was designed to reduce the size of crushed material to ¼", mainly targeting future Don Gabriel chalcocite material. The new crusher was commissioned in August 2013.

The selling process was completed in December 2013, when the Vecchiola Group acquired 100% of the asset. Soon after, Vecchiola decided to shut down the mines, downsize its workforce and focus initially on the tolling process in order to make the turnaround while re-evaluating the whole operation. In 2015 a reassessment of the reserve base, mining methods and cost effectiveness was performed, and in October small-scale production resumed at on-site deposits in a trial stage and a new long-term mine plan was established. During 2016 a set of metallurgical tests were performed in order to test the potential increase in recovery using oxidant agents. Presently, only one daily shift is operating, occupying around 30% of the plant capacity.

In October 2017 Vecchiola sold 70% of the common stock to SRH Chile SpA, a subsidiary of Sprott Resource Holdings Inc., a Canadian natural resources company listed on the Toronto Stock Exchange.



Between December 2010 and October 2017 MTV has mined and processed 4.22 million tonnes of ore at an average grade of 0.90% Cu. Considering the external purchases and tolling, a total of 6.14 million tonnes averaging 1.22% Cu was processed in its plant, resulting in 59,991 tonnes of copper cathodes.

1.6 Mineral Resources

Table 1-1 presents the mineral resource for the Minera Tres Valles Copper Project.

| <b>Table 1-1. Mineral Resource</b> |               |               |               |              |              |              |              |                |
|------------------------------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|----------------|
| Resource Class                     | Mining Method | CuT Cutoff(%) | Ktonnes       | CuT (%)      | CuS (%)      | CuCu (%)     | CuR (%)      | Copper (klbs)  |
| <b>Measured Mineral Resource</b>   |               |               |               |              |              |              |              |                |
| Don Gabriel Manto                  | OP            | 0.20          | 983           | 0.824        | 0.128        | 0.591        | 0.105        | 17,857         |
| Don Gabriel Veins                  | UG            | 0.64          | 0             | 0.000        | 0.000        | 0.000        | 0.000        | 0              |
| PPM Massivo                        | UG            | 0.34          | 2,449         | 1.941        | 0.466        | 1.339        | 0.136        | 104,796        |
| PPM Cumbre                         | OP            | 0.19          | 266           | 0.485        | 0.069        | 0.378        | 0.037        | 2,844          |
| PPM Cumbre                         | UG            | 0.34          | 0             | 0.000        | 0.000        | 0.000        | 0.000        | 0              |
| PPM Mantos Connection              | UG            | 0.59          | 262           | 1.266        | 0.414        | 0.667        | 0.185        | 7,312          |
| PPM South                          | UG            | 0.58          | 634           | 1.275        | 0.244        | 0.949        | 0.082        | 17,821         |
| Epithermal                         | UG            | 0.65          | 0             | 0.000        | 0.000        | 0.000        | 0.000        | 0              |
| PPM North                          | OP            | 0.19          | 102           | 0.956        | 0.584        | 0.222        | 0.150        | 2,150          |
| North Manto                        | UG            | 0.58          | 834           | 1.082        | 0.498        | 0.522        | 0.063        | 19,894         |
| <b>Measured Mineral Resource</b>   |               |               | <b>5,530</b>  | <b>1.416</b> | <b>0.366</b> | <b>0.939</b> | <b>0.111</b> | <b>172,674</b> |
| <b>Indicated Mineral Resource</b>  |               |               |               |              |              |              |              |                |
| Don Gabriel Manto                  | OP            | 0.20          | 5,476         | 0.828        | 0.110        | 0.625        | 0.093        | 99,959         |
| Don Gabriel Veins                  | UG            | 0.64          | 0             | 0.000        | 0.000        | 0.000        | 0.000        | 0              |
| PPM Massivo                        | UG            | 0.34          | 891           | 1.623        | 0.428        | 1.082        | 0.113        | 31,881         |
| PPM Cumbre                         | OP            | 0.19          | 2,388         | 0.540        | 0.096        | 0.388        | 0.056        | 28,429         |
| PPM Cumbre                         | UG            | 0.34          | 351           | 0.478        | 0.040        | 0.414        | 0.024        | 3,699          |
| PPM Mantos Connection              | UG            | 0.59          | 1,287         | 1.017        | 0.325        | 0.466        | 0.227        | 28,856         |
| PPM South                          | UG            | 0.58          | 989           | 0.998        | 0.319        | 0.583        | 0.096        | 21,760         |
| Epithermal                         | UG            | 0.65          | 509           | 0.980        | 0.338        | 0.323        | 0.320        | 10,997         |
| PPM North                          | OP            | 0.19          | 250           | 0.999        | 0.571        | 0.293        | 0.135        | 5,506          |
| North Manto                        | UG            | 0.58          | 633           | 0.967        | 0.441        | 0.459        | 0.067        | 13,495         |
| <b>Indicated Mineral Resource</b>  |               |               | <b>12,774</b> | <b>0.868</b> | <b>0.200</b> | <b>0.561</b> | <b>0.108</b> | <b>244,581</b> |
| <b>Meas/Ind Mineral Resource</b>   |               |               |               |              |              |              |              |                |
| Don Gabriel Manto                  | OP            | 0.20          | 6,459         | 0.827        | 0.113        | 0.620        | 0.095        | 117,816        |
| Don Gabriel Veins                  | UG            | 0.64          | 0             | 0.000        | 0.000        | 0.000        | 0.000        | 0              |
| PPM Massivo                        | UG            | 0.34          | 3,340         | 1.856        | 0.456        | 1.270        | 0.130        | 136,676        |
| PPM Cumbre                         | OP            | 0.19          | 2,654         | 0.534        | 0.093        | 0.387        | 0.054        | 31,273         |
| PPM Cumbre                         | UG            | 0.34          | 351           | 0.478        | 0.040        | 0.414        | 0.024        | 3,699          |
| PPM Mantos Connection              | UG            | 0.59          | 1,549         | 1.059        | 0.340        | 0.500        | 0.220        | 36,168         |
| PPM South                          | UG            | 0.58          | 1,623         | 1.106        | 0.290        | 0.726        | 0.091        | 39,581         |
| Epithermal                         | UG            | 0.65          | 509           | 0.980        | 0.338        | 0.323        | 0.320        | 10,997         |
| PPM North                          | OP            | 0.19          | 352           | 0.987        | 0.575        | 0.272        | 0.139        | 7,656          |
| North Manto                        | UG            | 0.58          | 1,467         | 1.032        | 0.473        | 0.495        | 0.065        | 33,389         |
| <b>Meas/Ind Mineral Resource</b>   |               |               | <b>18,304</b> | <b>1.034</b> | <b>0.250</b> | <b>0.675</b> | <b>0.109</b> | <b>417,255</b> |
| <b>Inferred Mineral Resource</b>   |               |               |               |              |              |              |              |                |
| Don Gabriel Manto                  | OP            | 0.20          | 79            | 0.698        | 0.501        | 0.123        | 0.074        | 1,216          |
| Don Gabriel Veins                  | UG            | 0.64          | 2,020         | 1.331        | 0.137        | 1.043        | 0.151        | 59,273         |
| PPM Massivo                        | UG            | 0.34          | 22            | 2.643        | 0.415        | 1.977        | 0.251        | 1,282          |
| PPM Cumbre                         | OP            | 0.19          | 537           | 0.664        | 0.167        | 0.416        | 0.081        | 7,861          |
| PPM Cumbre                         | UG            | 0.34          | 298           | 0.530        | 0.066        | 0.426        | 0.038        | 3,482          |
| PPM Mantos Connection              | UG            | 0.59          | 117           | 0.792        | 0.282        | 0.184        | 0.325        | 2,043          |
| PPM South                          | UG            | 0.58          | 111           | 0.947        | 0.399        | 0.379        | 0.168        | 2,317          |
| Epithermal                         | UG            | 0.65          | 223           | 1.011        | 0.476        | 0.207        | 0.328        | 4,970          |
| PPM North                          | OP            | 0.19          | 13            | 2.903        | 0.496        | 2.227        | 0.180        | 832            |
| North Manto                        | UG            | 0.58          | 37            | 1.387        | 0.702        | 0.387        | 0.298        | 1,131          |
| <b>Inferred Mineral Resource</b>   |               |               | <b>3,457</b>  | <b>1.108</b> | <b>0.188</b> | <b>0.770</b> | <b>0.149</b> | <b>84,408</b>  |

The mineral resource estimate is as of January 1, 2018 and is inclusive of the mineral reserves. Measured and indicated mineral resources amount to 18.3 million tonnes at 1.034% total copper (“CuT”) for 417.3 million contained pounds. Inferred mineral resource is an additional 3.46 million tonnes at 1.108% total copper for 84.4 million contained pounds. The table also shows grades for acid soluble copper (“CuS”), cyanide soluble copper (“CuCn”), and residual copper (“CuR”) since these components are used for metal recovery calculations.

To establish “reasonable prospects for eventual economic extraction” as required by NI 43-101, estimated unit costs for mining, processing, G&A, and solvent extraction/electrowinning (“SXEW”), as well as process recoveries have been developed to calculate appropriate cutoff grades for mining. The mineral resources are based on a copper price of US\$ 3.30 per pound of finished copper.

Process costs and recoveries are based on crushing and heap leaching with sulfuric acid. It is also planned that salt will be added to the leach solutions to add chlorine ions to assist oxidation and dissolution, particularly of the chalcocite. This has been termed the “salt leach case or chloride leach case”. With the salt leach process, the average copper recovery is estimated at about 87% for the Don Gabriel Manto and Veins. The copper recovery for the various PPM deposits range from 85% for the Epithermal vein to 90% for Massivo, based on variations in the acid soluble, cyanide soluble, and residual copper components of the resource. The crushing, agglomeration, and leaching costs are estimated at \$9.73 per tonne and SX-EW costs are estimated at \$0.19 per pound copper.

It is assumed that the Don Gabriel Manto, PPM North and a portion of Cumbre will be mined by open pit methods by a mining contractor. Estimated contract mining costs are \$2.35 and \$2.15 per tonne for ore and waste respectively based on a quotation from a recognized Chilean contract mining company. This estimate includes the cost for geology, mine engineering, and ore control.

The ore haulage cost is estimated as \$2.21 per tonne for Don Gabriel and \$1.76 for Papomono, and is based on a contractor quotation. The one-way haulage distances are about 17km from Don Gabriel and 12km from Papomono.

The mineral resources for Don Gabriel Manto, PPM North and Cumbre are tabulated inside Lerchs-Grossman (LG) shells run with the economic and recovery parameters. Measured, indicated, and inferred mineral resources were allowed to contribute to the economics to develop the shells.

The estimated internal cutoff grades for the Don Gabriel Manto, PPM North, and Cumbre pits are 0.20%, 0.19% and 0.19% total copper respectively. Internal cutoff grade applies to blocks that have to be removed from the pit, so mining is a sunk cost. The blocks only have to pay processing, ore haulage, G&A, SXEW, and the \$0.20 differential between ore and waste mining cost. The resources for the open pits on Table 1-1 are based on internal cutoff grade.

For the underground deposits proposed underground mining methods were selected for each deposit and approximate mining costs for the various methods estimated. The proposed methods and costs are:

|                    |                                    |                       |
|--------------------|------------------------------------|-----------------------|
| Block Caving       | Massivo, Cumbre                    | \$8.40 per ore tonne  |
| Front Caving       | PPM South, Connection, North Manto | \$22.00 per ore tonne |
| Sub-level Stopping | DG Veins, Epithermal               | \$24.00 per ore tonne |

There is a portion of Cumbre beneath the potential open pit that might be amenable to underground mining. Estimated breakeven cutoff grades for each underground deposit are shown on Table 1-1.

The mineral resources are in-situ estimates. IMC has not included any dilution or ore loss assumptions in the estimates. This will be done during the evaluation of potential mineral reserves.

The mineral resources are classified in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") "CIM Definition Standards - For Mineral Resources and Mineral Reserves" adopted by the CIM Council (as amended, the "CIM Definition Standards") in accordance with the requirements of National Instrument 43-101 "Standards of Disclosure for Mineral Projects" ("NI 43-101"). Mineral reserve and mineral resource estimates reflect the reasonable expectation that all necessary permits and approvals will be obtained and maintained.

There is no guaranty that any of the mineral resources will be converted to mineral reserve. There is also no guaranty that any of the inferred mineral resources will be upgraded to measured or indicated mineral resource or to mineral reserve.

IMC does not believe that there are significant risks to the mineral resource estimates based on environmental, permitting, legal, title, taxation, socio-economic, marketing, or political factors. The project is in a jurisdiction friendly to mining and has operated in the past and is currently operating at a low level of production. The most significant risks to the mineral resource are related to economic parameters such as prices lower than forecast, recoveries lower than forecast, or costs higher than the current estimates. There could also be geologic risk if additional drilling reduces the current resource estimates or results in more erratic deposit geometries that prove difficult to mine.

## 1.7 Mineral Reserves

Table 1-2 presents the mineral reserve for the Don Gabriel Manto. The proven and probable mineral reserve amounts to 5.2 million tonnes at 0.814% total copper for 92.7 million contained copper pounds. Recoverable copper is estimated at 80.5 million pounds based on an average recovery of 86.9%. The mineral reserve is effective as of January 1, 2018.

|                           | Ktonnes | CuT (%) | CuS (%) | CuCn (%) | CuR (%) | Cont. Copper (klbs) | Payable Copper (klbs) |
|---------------------------|---------|---------|---------|----------|---------|---------------------|-----------------------|
| <b>Mineral Reserve</b>    |         |         |         |          |         |                     |                       |
| Proven Mineral Reserve    | 898     | 0.800   | 0.127   | 0.572    | 0.100   | 15,827              | 13,749                |
| Probable Mineral Reserve  | 4,270   | 0.817   | 0.110   | 0.615    | 0.092   | 76,871              | 66,782                |
| Prov/Prob Mineral Reserve | 5,168   | 0.814   | 0.113   | 0.607    | 0.094   | 92,698              | 80,531                |

The mineral reserve is based on an open pit mine plan and mine production schedule developed by IMC at cutoff grade of 0.25% total copper. The mineral reserve is based on a copper price of US\$ 2.75 per pound. Measured mineral resource in the mine production schedule was converted to proven mineral reserve, and indicated mineral resource was converted to probable mineral reserve. Inferred mineral resources were treated as waste. Ore loss and dilution assumptions are also incorporated into the estimate.

The mineral reserves are classified in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") "CIM Definition Standards - For Mineral Resources and Mineral Reserves" adopted by the CIM Council (as amended, the "CIM Definition Standards") in accordance with the requirements of National Instrument 43-101 "Standards of Disclosure for Mineral Projects" ("NI 43-101"). Mineral reserve and mineral resource estimates reflect the Company's reasonable expectation that all necessary permits and approvals will be obtained and maintained.

IMC does not believe that there are significant risks to the mineral reserve estimate based on environmental, permitting, legal, title, taxation, socio-economic, marketing, or political factors. The project is in a jurisdiction friendly to mining and has operated in the past and is currently operating at a low level of production. The most significant risks to the mineral resource are related to economic parameters such as prices lower than forecast, recoveries lower than forecast, or costs higher than the current estimates. The Don Gabriel mineral reserve also assumes a positive preliminary feasibility study and production decision for the Papomono Massivo deposit. Some of the key economic parameters depend on higher production rates than the Don Gabriel pit will provide by itself.

## 1.8 Conclusions and Recommendations

The goal of this Technical Report was to present an NI 43-101 compliant Mineral Resource estimate for all the Don Gabriel and Papomono mineral deposits, a Preliminary Feasibility Study for the implementation of chloride media leaching, and a Feasibility Study for the expansion of the Don Gabriel Manto open pit, for the MTV property located near Salamanca, Chile. The highlights for these items are summarized as follows:

### *Updated Mineral Resource Estimate*

- Total measured and indicated mineral resource of 18.3 million tonnes at 1.03% CuT containing 417 million pounds of copper.
- Total inferred mineral resource of 3.5 million tonnes at 1.11% CuT containing 84.4 million pounds of copper.

### *Salt Leach Preliminary Feasibility Study*

- Potential to increase copper recoveries by 10%, up to a 40% reduction in the leaching cycle time, and up to 40% reduction in sulfuric acid consumption.

- Estimated capital cost of US\$6.9 million, which includes the activities from detailed engineering to the end of construction.
- Approximately 11 months to implement.
- Less than two year payback.

*Don Gabriel Manto Feasibility Study*

- Almost triples production from the Don Gabriel Manto open pit.
- Mine plan based on Mineral Reserves of 5.17 million tonnes at 0.81% CuT at a copper cut-off grade of 0.25%.
- Produce approximately 14 million pounds of copper per year over a six-year reserve life.
- The expansion could commence as early as the 2<sup>nd</sup> quarter of 2018.

The Mineral Reserves and Mineral Resource estimates for the MTV property are effective as of January 1, 2018.

IMC recommends the following work to advance the MTV project:

- A Preliminary Feasibility Study should be conducted for the Papomono Massivo deposit to develop additional mineral reserves and begin exploitation of the deposit.
- A Preliminary Economic Analysis should be conducted for Cumbre, PPM South, Mantos Connection, North Mantos, PPM North, Epithermal, and Don Gabriel veins to define possible mining methods and additional drilling and studies that are required to upgrade the mineral resources to mineral reserves.
- The Don Gabriel pit expansion should commence with stripping in phases 4 and 5.
- The plant should be upgraded to accommodate the salt leaching process.

Table 1-3 shows the estimated costs for these items, which amounts to US\$ 13.1 million.

| <b>Table 1-3. Recommendations for Ongoing Work</b>  |                  |
|---|------------------|
|   | Cost (US\$x1000) |
| Papomono Massivo Preliminary Feasibility Study      | \$292            |
| Preliminary Economic Analysis – Additional Deposits | \$135            |
| Don Gabriel Pit Expansion – Waste Stripping         | \$5,740          |
| Upgrade Plant to Chloride Leach Process             | \$6,898          |
| <b>TOTAL</b>  | <b>\$13,065</b>  |

The recommendation to commence the expansion of the Don Gabriel pit is based on the economic analysis presented in the Technical Report. The cost is based on an estimate of 2.67 million tonnes of pre-strip waste during 2018 at the unit cost of \$2.15 per tonne. Phase 5 stripping is expected to commence very soon after the start of phase 4 stripping, and it therefore not contingent upon it.

The economic analysis also indicates the plant upgrade to the chloride leach process can be justified based on Don Gabriel recovery results alone.