

Sprott Resource Holdings Inc. 2017 Third Quarter Report

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis ("MD&A") of the performance, financial condition and future prospects of Sprott Resource Holdings Inc. (formerly, Adriana Resources Inc., herein referred to as "SRHI" or the "Company"). This document is prepared as at November 10, 2017 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and nine-months ended September 30, 2017, including the notes thereon (the "Financial Statements"). The Company prepares its Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in Canadian dollars unless otherwise indicated. Further information may be accessed at www.sedar.com, and may also be found on the Company's website at www.sprottresource.com.

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

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

The Company's head office is based in Toronto, Ontario, Canada. Effective February 9, 2017, the common shares traded under the symbol "SRHI" on the Toronto Stock Exchange ("TSX") as a result of the Arrangement (defined below). The Company previously traded under the symbol "ADI".

SRHI has two wholly-owned subsidiaries, Sprott Resource Corp. ("SRC") and Adriana Mining Ltd. ("ADM"). SRC has one wholly-owned subsidiary, SRH Chile SpA ("SRH Chile"). Sprott Resource Partnership ("SRP") is a partnership formed pursuant to the third amended and restated partnership agreement (the "Partnership Agreement") between SRC and Sprott Resource Consulting Limited Partnership (the "Managing Partner"), an affiliate of Sprott Consulting Limited Partnership ("SCLP"). The Partnership Agreement was entered into effective February 9, 2017 replacing the second amended and restated partnership agreement ("Old PA"). The terms of the Partnership Agreement are substantially the same as the Old PA with additional information detailed in the *Commitments and Management Fee and Profit Distribution* sections located elsewhere in this MD&A. The investment portfolio of SRHI is held by SRP and ADM.

ADRIANA RESOURCES INC. BUSINESS COMBINATION WITH SPROTT RESOURCE CORP.

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

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

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

Concurrent with the completion of the Arrangement, (i) Sprott Inc. ("Sprott") invested \$10 million in ADI common shares at a price of \$0.233 per share and (ii) a fund managed by a subsidiary of Sprott, together with Term Oil Inc. (a corporation controlled by A.R. (Rick) Rule IV), invested a total of \$5 million in units of ADI (each unit comprised of one ADI common share and one Warrant) at a price of \$0.25 per unit ("Unit") (together, the "Transaction").

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

If, four months after the closing of the Warrant Distribution, the daily weighted average trading price of the Company's common shares for any 45 consecutive trading day period is greater than \$0.583 per common share, the expiry date of the Warrants may be accelerated by SRHI.

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

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

As a result of the Arrangement, the Company has 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. As SRHI makes the transition to a diversified holding company, it will focus on owning majority positions in such businesses. SRC, which was acquired by SRHI through the Arrangement, was a private equity firm that focused both on acquiring both majority and minority positions in businesses in the natural resource sector. Management expects that it will take less than 12 months from the completion of the Arrangement to make the transition from a private equity firm to a diversified holding company.

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

Although the previous ADI legal entity remains the top public entity in the corporate structure, SRC was determined to be the acquirer, through completion of a reverse acquisition, as its shareholders retain majority control post-Arrangement, the composition of the Board reflects a majority of pre-Arrangement SRC Board members, and SRC has retained key management functions of the combined business. The acquisition of ADI and closing of the Transaction expands the Company's cash reserves and provides it with an iron ore investment in Lac Otelnuk Mining Ltd. ("LOM"). The Company incurred transaction costs of \$1.8 million related to the Arrangement, the majority of which were expensed in the year ended December 31, 2016 in accordance with IFRS 3, *Business Combinations*. The Company also incurred \$0.1 million of share issue costs which were netted against share capital and warrants.

In the accounting for the reverse acquisition, the consideration is determined by reference to the fair value of the number of shares the legal subsidiary, being SRC, would have issued to the legal parent entity, being the Company, to obtain the same ownership interest in the combined entity. As a result, the capital stock consideration is measured at the value of 52,518,079 shares that would have been issued by SRC. Similarly, the consideration in respect of the Warrants is determined by reference to the fair value of the number of Warrants the legal subsidiary, being SRC, would have issued to the legal parent entity, being the Company, to obtain the same ownership interest in the combined entity. As a result, the Warrant consideration is measured at the value of 13,129,520 Warrants that would have been issued by SRC.

As per the Company's accounting policies in accordance with IFRS 3, *Business Combinations*, changes to the preliminary measurements of assets and liabilities acquired are retrospectively adjusted when new information is obtained until the final measurements are determined within one year of the Acquisition Date. During the second quarter of 2017, the Company identified amended fair values of certain assets acquired and liabilities assumed as part of the acquisition of ADI resulting in a bargain purchase gain of \$255 thousand compared to the bargain purchase gain of \$70 thousand reported at March 31, 2017, a difference of \$185 thousand. The \$185 thousand increase in the bargain purchase gain and the adjustments to the assets acquired and liabilities assumed have been retrospectively recorded as at the Acquisition Date.

The following table summarizes the fair value of the consideration paid and the preliminary estimates of the fair values of identified assets acquired and liabilities assumed from ADI with a comparative to the preliminary results presented in the March 31, 2017 Condensed Interim Consolidated Financial Statements. The Company expects to finalize the determination of the fair values of the assets and liabilities acquired within 12 months of the Acquisition Date, which could result in material differences from the preliminary values presented in this MD&A.

<i>(in thousands)</i>	Revised based on new information	As reported at March 31, 2017
Consideration		
Issuance of SRC Common Shares	\$ 30,460	\$ 30,460
Issuance of Warrants	1,690	1,690
Total consideration	\$ 32,150	\$ 32,150
Preliminary fair value of assets acquired:		
Cash and cash equivalents	\$ 26,409	\$ 26,409
Other current assets	195	443
Investment in LOM	6,517	5,755
	33,121	32,607
Preliminary fair value of liabilities acquired:		
Accounts payable and accrued liabilities	716	387
Net assets acquired	\$ 32,405	\$ 32,220
Bargain purchase gain	\$ 255	\$ 70

The reverse takeover resulted in a bargain purchase gain of \$255 thousand which is included as a reduction of General and Administrative Expenses on the Interim Consolidated Statements of Operations.

SPROTT RESOURCE HOLDINGS INC. MARKETED OFFERING

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

Pursuant to the Offering, the Company sold 120,000,000 Offered Units at a price of \$0.25 per Offered Unit for gross proceeds of \$30 million. Each Offered Unit consists of one common share in the capital of SRHI (a "Common Share") and one Common Share purchase warrant in the capital of SRHI (an "Offered Warrant"). Each Offered Warrant will expire on February 9, 2022 and has a strike price of \$0.333 cent per Common Share. The Offered Warrants trade on the Toronto Stock Exchange (the "TSX") under the symbol SRHI.WT.

INVESTMENT IN S.C. MINERA TRES VALLES

On October 2, 2017, SRHI announced the successful completion of its previously announced investment in Chilean producing copper mine S.C. Minera Tres Valles ("MTV") from the Vecchiola Group for an aggregate purchase price of USD\$39.9 million, consisting of USD\$33.5 million in cash and USD\$6.4 million in SRHI common shares. A total of 51,191,847 SRHI common shares were issued to the Vecchiola Group in connection with this investment, providing SRHI with a 70% equity interest in MTV. See the *Material Investments* section elsewhere in this MD&A.

BUSINESS STRATEGY AND OUTLOOK

About SRHI

SRHI is a publicly-listed corporation transitioning into a 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's current holdings are concentrated in the mining, energy and agriculture sectors. SRHI takes an active role in the companies in which it invests and is committed to being a high-value partner to the management teams it backs and the co-investors who invest alongside SRHI.

Business Strategy

To further the overall goal of generating value for our shareholders, SRHI has several objectives that it continues to pursue:

i. Identifying and pursuing attractive investments in the natural resource industry

Commodity markets are highly cyclical in nature. SRHI seeks to invest capital when it believes markets are trading at or near cyclical lows or when management believes commodities are inexpensive compared with other industry metrics to reduce the investment risk and help separate the well-run companies from their competitors. SRHI's investment approach is driven by an assessment of global economic trends as they relate to various natural resource sectors. Individual commodity markets are investigated to assess short and long-term supply/demand characteristics to determine where and when to allocate capital. This process allows management to seek out specific investments that will benefit the most from favourable trends.

Consistent with SRHI's transition to a diversified holding company, a focus on owning controlling interests in businesses we believe can generate sustainable free cash flow will be an important factor in SRHI's capital allocation process.

These specific investments are sourced through several channels. The Company, through its own initiatives and relationships with proven management teams, directors and professional firms and through a relationship with the Sprott Group of Companies, continues to build a proprietary deal flow network. The Company strongly believes that our proprietary deal flow network is a competitive advantage in sourcing investment opportunities in the natural resource sector.

ii. Advancing divestment opportunities of non-core investments

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

In the instance where an investment is considered to be a non-core investment, the time to exit is not necessarily predictable and the expected proceeds from such an exit may be substantially different from what was previously thought. We continue to look to exit our non-core investments, including Beretta Farms Inc. ("Beretta Farms", formerly One Earth Farms Corp.). During and subsequent to the third quarter of 2017, the Company disposed of its entire investment in Union Agriculture Group ("Union Agriculture") for total gross proceeds of USD\$4.7 million.

Realizing dispositions of non-core investments will provide liquidity to sustain SRHI's investment operations, make new investments and support existing investments.

iii. Transitioning to a diversified resource holding company

Following the completion of the business combination between SRC and ADI to create SRHI, SRHI has initiated a transition from a private equity firm to a diversified resource holding company. Once this transition is complete, SRHI will focus on holding businesses in the natural resource industry that it believes can generate sustainable free cash flow. The transition to a diversified resource holding company may result in a mix of assets that differs from that of SRC or ADI historically and may include investments with a longer time horizon and/or different expected return composition.

SRHI management expects that the transition from a private equity firm to a diversified resource holding company will be completed by the first quarter of 2018.

iv. *Growing the value of the investment portfolio*

SRHI seeks to grow the value of its existing investments by providing active oversight, strategic, financial and operational guidance. It provides the support typical of a cornerstone investor. In addition, it provides direction to its investees' management in the areas of capital markets access, strategic development, long-term growth planning, mentoring, capital structure guidance and systems and process development.

v. *Effectively communicating to current and prospective shareholders*

The Company believes that frequent and effective communications with SRHI shareholders is critical to achieving our overall business objectives. The Company seeks to do so through a number of initiatives as part of an overall investor relations strategy, including through transparent financial and portfolio investment reporting, regular quarterly investor update calls, and engaging with shareholders at industry conferences and through other media channels.

vi. *Continuing to partner with management and directors with a proven track record of success*

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

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

Outlook

Following the close of its US\$40 million investment in Chilean copper miner MTV, subsequent to the end of the third quarter, SRHI currently has no debt and approximately \$32 million in Net Cash (see *Defined Terms* section elsewhere in this MD&A). SRHI remains well positioned to support existing investments and/or pursue new accretive investment opportunities as management deems appropriate.

The SRHI portfolio is diversified across a number of natural resource sectors, with holdings in mining, energy and agriculture. As a result, the Company's portfolio valuations are significantly impacted by commodity price volatility. Three of SRHI's material holdings are its investments in the copper producer MTV, metallurgical coal company, Corsa Coal Corp. ("Corsa Coal") and light-oil producer, InPlay Oil Corp. ("InPlay Oil").

SRHI has a positive view on the copper price and believes that demand from China and the emergence of electric vehicles will be key price drivers going forward. SRHI expects to receive technical reports outlining the potential of the MTV resource over the next few months. Over the past 18 months, Corsa Coal has continued to increase its metallurgical coal sales while realizing significantly increased prices on a per ton basis. InPlay Oil is well positioned for an eventual recovery in energy prices with a strong inventory of low-decline cardium locations in the heart of the Pembina Oil field, and has begun drilling wells in the Willesden Green area.

SRHI is committed to monetizing non-core investments where possible. With all of its holdings, SRHI management continuously assesses the optimal investment windows and required financial commitments to execute purchases and sales.

SELECTED FINANCIAL INFORMATION

NAV and Share Value

	As at				
	Sept. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sept. 30, 2016
NAV (in thousands), based on fair values ^{1,2}	\$ 132,053	\$ 142,579	\$ 137,821	\$ 110,785	\$ 105,683
NAV per share, based on fair values ³	\$ 0.21	\$ 0.23	\$ 0.27	\$ 0.38	\$ 0.36
Closing price per share (TSX:SRHI and TSX:SCP) ⁴	\$ 0.15	\$ 0.16	\$ 0.20	\$ 0.17	\$ 0.16
Discount to NAV ⁵	28.6%	30.4%	25.9%	55.3%	55.6%
Number of common shares issued and outstanding ⁴	630,488,999	630,488,999	510,488,999	290,016,306	290,016,306

¹ NAV is equivalent to total equity attributable to shareholders of the Company. Amounts at December 31, 2016 and earlier are of SRC, without giving effect to the Arrangement.

² NAV at March 31, 2017 has been increased by \$185 thousand as a result of the retrospective application of the revised purchase price allocation in the second quarter of 2017 for the Arrangement - see ADI Business Combination With SRC section elsewhere in this MD&A.

³ NAV per share is the Company's NAV divided by the number of the Company's common shares that are issued and outstanding.

⁴ Figures at December 31, 2016 and earlier have been adjusted to reflect the post-Arrangement ratio of 3.0 ADI shares for each SRC share.

⁵ Discount to NAV is the discount between NAV per share and the Company's closing stock price on the TSX on the period-end date.

Statements of Operations

(in thousands)	For the Three-Months Ended		For the Nine-Months Ended	
	Sept. 30, 2017	Sept. 30, 2016	Sept. 30, 2017	Sept. 30, 2016
Investment gain (loss)	\$ (8,036)	\$ 12,502	\$ (47,945)	\$ 2,860
Expenses	\$ 2,517	\$ 1,583	\$ 4,961	\$ 4,420
Net income (loss) and comprehensive income (loss) attributable to shareholders	\$ (10,553)	\$ 10,919	\$ (52,906)	\$ (1,560)

The investment losses are comprised primarily of unrealized losses on investments.

Statements of Financial Position

(in thousands)	As at			
	Sept. 30, 2017		Dec. 31, 2016	
Working capital ¹	\$ 75,351	57.1%	\$ 10,116	9.1%
Investments owned, at fair value				
Mining	30,718	10.1%	51,040	17.5%
Agriculture	12,643	23.3%	30,268	46.1%
Energy production and services	13,341	9.6%	19,361	27.3%
Total equity attributable to shareholders of the Company	\$ 132,053	100.0%	\$ 110,785	100.0%

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

INVESTMENT SUMMARY

At September 30, 2017, the Company held seven investments (the "Investments") in three sectors and \$75.7 million in cash and cash equivalents. A summary of the Investments at September 30, 2017 is presented below (*in thousands*). On October 2, 2017, the Company invested \$49.9 million (USD\$39.9 million) in MTV. See the *Material Investments* section elsewhere in this MD&A.

Industry Sector	% of NAV¹	Public/Private	Companies	Fair Value, Sept. 30, 2017	SRHI Ownership (undiluted)
Energy production and services	10.1%	Public (TSX)	InPlay Oil² is a growth-oriented, light oil development and production company focused on large oil in place pools with low recovery factors, low declines and long life reserves primarily targeting the Cardium Formation in Alberta, Canada.	\$ 11,922	11.4%
		Private	R.I.I. North America Inc. ("RII") is a Canadian energy technology company.	1,419	15.4%
Mining	23.3%	Public (TSX-V)	Corsa Coal² 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.	23,068	17.2%
		Public (TSX-V)	Virginia Energy Resources Inc. ("Virginia Energy") is a Canadian company which owns a uranium deposit in southern Virginia, U.S.	1,133	16.5%
		Private	LOM is a Canadian company which was established to explore the Lac Otelnuk iron ore property in Quebec	6,517	40.0%
Agriculture	9.6%	Private	Union Agriculture is a diverse agribusiness firm that owns and manages farmland in Uruguay.	3,425	3.3%
		Private	Beretta Farms is a Toronto, Canada based vertically integrated food business focused on natural and organic protein-based food production and retail.	9,218	49.98%
				\$ 56,702	

¹ Cash and cash equivalents, trade and other receivables less total liabilities represent 57.1% of NAV

² An investment initiated by the current management team.

PORTFOLIO REVIEW

Nine-Months Ended September 30, 2017

As at September 30, 2017, the Company's investment portfolio was valued at \$56.7 million (December 31, 2016: \$100.7 million). The investment portfolio consists of private (unlisted) investment positions and public (listed) investment positions.

Portfolio breakdown

(in thousands except (#))	As at			
	Sept. 30, 2017	Dec. 31, 2016	Sept. 30, 2017	Dec. 31, 2016
			(#)	(#)
Private positions	\$ 20,579	\$ 35,507	4	3
Public positions	36,123	65,162	3	3
Investment portfolio	\$ 56,702	\$ 100,669	7	6

Private investment positions (36.3% of portfolio)

Private investment positions consist of investments in energy production and services, mining and agriculture companies. The largest investment accounted for 44.8% of the private investment positions at September 30, 2017 (December 31, 2016: 47.6%).

Public investment positions (63.7% of portfolio)

Public investment positions consist of investments in energy production and services along with mining companies. The largest investment accounted for 63.9% of the public investment positions at September 30, 2017 (December 31, 2016: 77.5%). Public investment positions typically arise through holdings of previously private investment positions. However, the Company may also invest in public companies that it believes are significantly undervalued or where the management team, which the Company wishes to support, operates through a public vehicle.

Portfolio movement

(in thousands)	For the Nine-Months Ended	
	Sept. 30, 2017	Sept. 30, 2016
Opening investment portfolio, at fair value	\$ 100,669	\$ 120,767
New investments	—	2,661
Investments acquired as part of the Arrangement	6,550	—
Realizations ¹	(2,572)	(30,815)
Portfolio loss ²	(47,945)	2,860
Closing investments portfolio, at fair value	\$ 56,702	\$ 95,473

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

² Represents the net loss on investments

New investments

For the nine-months ended September 30, 2017, there were no new investments made compared to \$2.7 million for the nine-months ended September 30, 2016. Additions to the portfolio for the nine-months ended September 30, 2017 were comprised of investments acquired as part of the Arrangement. New investments for the nine-months ended September 30, 2016 was comprised solely of a follow-on investment in Corsa Coal.

Realizations

Realizations for the nine-months ended September 30, 2017 amounted to \$2.6 million which was primarily comprised of the gross proceeds received from the disposition of approximately 25% of the Company's holdings in Union Agriculture. Realizations for the nine-months ended September 30, 2016 amounted to \$30.8 million which were primarily comprised of the gross proceeds received from the disposition of (i) the Company's entire holdings of Long Run Exploration Ltd. ("Long Run"), a non-core investment (\$12.0 million) and (ii) approximately 60% of its investment in ICD (\$16.4 million.)

<i>(in thousands)</i>	For the Nine-Months Ended	
	Sept. 30, 2017	Sept. 30, 2016
Proceeds from investments	\$ (2,572)	\$ (30,744)
Return of capital - Delphi Energy royalty investment	—	(71)
Total realizations	\$ (2,572)	\$ (30,815)

Portfolio return

For the nine-months ended September 30, 2017, the Company's investment portfolio decreased by \$47.9 million, or 47.6% as a percentage of the opening portfolio of \$100.7 million, comprised primarily of unrealized losses on investments. This return includes unfavourable currency movements of \$3.0 million for the nine-months ended September 30, 2017.

<i>(in thousands)</i>	For the Nine-Months Ended			For the Nine-Months Ended		
	Sept. 30, 2017			Sept. 30, 2016		
	Public	Private	Total	Public	Private	Total
Net realized loss on investments	\$ (10)	\$ (4,998)	\$ (5,008)	\$ (145,744)	\$ (48,500)	\$ (194,244)
Reversal of previously recorded unrealized loss on investments ¹	10	4,998	5,008	145,744	48,500	194,244
Change in unrealized gain (loss) on investments	(29,049)	(15,946)	(44,995)	30,608	(22,095)	8,513
Change in unrealized foreign exchange loss on investments	—	(2,950)	(2,950)	(1,747)	(3,906)	(5,653)
Total portfolio gain (loss)	\$ (29,049)	\$ (18,896)	\$ (47,945)	\$ 28,861	\$ (26,001)	\$ 2,860

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

For the nine-months ended September 30, 2017, the Company recorded a net realized loss of \$5.0 million which was primarily a result of the disposition of Union Agriculture. The table above illustrates that this entire amount is offset by the reversal of recorded unrealized losses on this investment.

The majority of the portfolio loss for the nine-months ended September 30, 2017 resulted from a change in the unrealized loss on its public and private investments. The change in unrealized loss on investments is predominantly due to the decreased value of the Company's investment in Corsa Coal followed by unrealized losses in the Company's private agricultural investments.

Specifics of the change in unrealized loss on investments for the nine-months ended September 30, 2017 is detailed in the *Operating Results* section elsewhere in this MD&A.

The investment portfolio is reported at fair value which is subject to daily changes including commodity price changes, foreign exchange movements and changes in market prices. The Company's investment portfolio at September 30, 2017 has approximately \$3.4 million denominated in U.S. dollars. For every 5% increase (decrease) in the Canadian/U.S. foreign exchange rate (relative to the U.S. dollar), the Company's investment portfolio will decrease (increase) by approximately \$0.2 million.

Portfolio sectors

The fair value of the investment portfolio is as follows:

(in thousands)	As at					
	Sept. 30, 2017		Dec. 31, 2016			
Mining	\$	30,718	54.2%	\$	51,040	50.7%
Agriculture		12,643	22.2%		30,268	30.1%
Energy production and services		13,341	23.5%		19,361	19.2%
Total investments owned, at fair value	\$	56,702	100%	\$	100,669	100%

Three-Months Ended September 30, 2017

Portfolio movement

(in thousands)	For the Three-Months Ended			
	Sept. 30, 2017		Sept. 30, 2016	
Opening investment portfolio, at fair value ¹	\$	67,287	\$	100,645
Realizations ²		(2,549)		(17,674)
Portfolio loss ³		(8,036)		12,502
Closing investments portfolio, at fair value	\$	56,702	\$	95,473

¹ For the three-months ended September 30, 2017, the opening investment portfolio includes an adjustment of \$762 thousand as a result of the retrospective application of the revised purchase price allocation in the second quarter of 2017 for the Arrangement - see ADI Business Combination With SRC section elsewhere in this MD&A

² Includes gross proceeds from investment dispositions, dividends, royalties and interest income

³ Represents the net loss on investments

New investments

For both the three-months ended September 30, 2017 and the three-months ended September 30, 2016, there were no new investments made.

Realizations

Realizations for the three-months ended September 30, 2017 amounted to \$2.5 million which was solely comprised of the gross proceeds received from the disposition of approximately 25% of the Company's holdings in Union Agriculture. Realizations for the three-months ended September 30, 2016 amounted to \$17.7 million and were primarily comprised of the gross proceeds received from the disposition of approximately 60% of the Company's investment in ICD.

(in thousands)	For the Three-Months Ended			
	Sept. 30, 2017		Sept. 30, 2016	
Proceeds from investments	\$	(2,549)	\$	(17,659)
Return of capital - Delphi Energy royalty investment		—		(15)
Total realizations	\$	(2,549)	\$	(17,674)

Portfolio return

For the three-months ended September 30, 2017, SRC's investment portfolio decreased by \$8.0 million, or 11.9% as a percentage of the opening portfolio of \$67.3 million, comprised primarily of unrealized losses on investments. This return includes unfavourable currency movements of \$1.0 million for the three-months ended September 30, 2017.

(in thousands)	For the Three-Months Ended			For the Three-Months Ended		
	Sept. 30, 2017			Sept. 30, 2016		
	Public	Private	Total	Public	Private	Total
Net realized loss on investments	\$ —	\$ (4,998)	\$ (4,998)	\$ (44,134)	\$ —	\$ (44,134)
Reversal of previously recorded unrealized loss on investments ¹	—	4,998	4,998	44,134	—	44,134
Change in unrealized gain (loss) on investments	(306)	(6,742)	(7,048)	18,121	(4,788)	13,333
Change in unrealized foreign exchange gain (loss) on investments	—	(988)	(988)	36	(867)	(831)
Total portfolio gain (loss)	\$ (306)	\$ (7,730)	\$ (8,036)	\$ 18,157	\$ (5,655)	\$ 12,502

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

For the three-months ended September 30, 2017, the Company recorded a net realized loss of \$5.0 million which was solely a result of the disposition of approximately 25% of the Company's holdings in Union Agriculture. The table above illustrates that this entire amount is offset by the reversal of previously recorded unrealized losses on this investment.

The majority of the portfolio loss for the three-months ended September 30, 2017 resulted from a change in the unrealized loss on investments. The change in unrealized loss on investments is predominantly due to the decreased value of the Company's private investments in Union Agriculture and RII.

Specifics of the change in unrealized gain (loss) on investments for the three-months ended September 30, 2017 is detailed in the *Operating Results* section elsewhere in this MD&A.

PRIVATE COMPANY VALUATIONS

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

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

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

The Company did not obtain any independent valuations as at, and for the nine-month period ended, September 30, 2017.

MATERIAL INVESTMENTS

Material investments in private companies are discussed by sector below. Certain disclosures in this "Material Investments" section have been provided by management of the respective investee companies.

Agriculture

Union Agriculture Group

During the third quarter of 2017 and in October 2017, the Company disposed of its entire investment in Union Agriculture for total gross proceeds of USD\$4.7 million.

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

<i>(in thousands, except per share amounts)</i>	September 30, 2017	December 31, 2016
Equity ownership	49.98%	49.98%
Fair value	\$9,218	\$13,360
Fair value per share	\$0.14	\$0.20
Cost	\$60,900	\$60,900
Type of investment	Growth capital	Growth capital
External valuation performed in the last 12 months	Yes ¹	Yes ^{1,2}
Valuation basis	Adjusted net assets	Adjusted net assets
Private company discount	Yes	Yes
Value drivers	Retail sales growth Margin expansion Vertical integration	Retail sales growth Margin expansion Vertical integration

¹ last completed at September 30, 2016

² completed at September 30, 2015

Investment background

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. "Natural" protocols refer to animals raised without the use of antibiotics, added hormones or steroids. "Organic" protocols refer to animals raised under CAN/CGSB-32.310, Organic Production Systems General Principles and Management Standards issued by the Canadian General Standards Board, and that are certified Organic. 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 ("EU"), China, the United States and the Middle East.

Market environment

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

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

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

Over the last few years, cattle prices increased to historic highs, peaking in mid-year 2015, before price corrections eroded value through the last half of 2015 and during 2016. While there has historically been seasonal fluctuation in both cattle and beef pricing on an annual basis, year-to-date in 2017, cattle and beef markets have experienced noted volatility reflected in the fair value changes to biological assets with the net effect being an increase to the fair value of biological assets when compared to the same period of 2016.

Operational update

Beretta Farms has had a significant transformation over the past several years including (i) the restructuring of cattle operations into both custom managed and custom-raised operations under Beretta Farms's protocols across a number of ranches located in Saskatchewan and certain contract feedlots in Alberta counting approximately 4,700 (December 31, 2016: 10,900) head of cattle as at September 30, 2017 with the operations subject to inspection and monitoring by Beretta Farms personnel as well as independent third parties including Beretta Farms' veterinarian; (ii) the continued vertical integration of the beef business with the acquisition in October 2014 of Canadian Premium Meats Inc. ("CPM"), a federally regulated and EU certified slaughter and processing facility located in Lacombe, Alberta and one of only four EU certified slaughter and processing facilities in Canada; and (iii) the targeted acquisition of branded food purveyors which Beretta Farms seeks for growth expansion and consolidation of the natural and organic beef brands in Canada. The notable acquisitions have included the assets of Prairie Heritage Producers Inc. ("PHP or "Heritage Angus") in October 2014 and the assets of Diamond Willow Organics (2012) Ltd. ("Diamond Willow") in January 2015. Beretta Farms's food products are currently sold under the Beretta Farms, Beretta Kitchen, Heritage Angus, Black Apron Beef, Diamond Willow Organics, Chinook Organics and Sweetpea Baby Food brands in five Canadian provinces along with select EU markets, China and the Middle East.

The turbulence and volatility in cattle markets in North America during 2016 resulted in reduced revenue and a net loss to Beretta Farms in the year. For the three months ended September 30, 2017, revenue decreased to \$10.9 million compared to \$14.9 million for the same period in 2016. The decrease in revenue in the 2017 period is primarily due to the the sale of long-term biological assets representing cull animal sales during the third quarter of 2016 that did not occur to the same extent in the third quarter of 2017.

While Beretta Farms does not directly compete in the commodity cattle and beef markets, the pricing in those markets drives cattle valuation in terms of changes in fair value (a non-cash item) for Beretta Farms' feeder cattle and calf crop and commodity beef pricing provides a baseline over which Beretta Farms prices its products, commanding a premium for its beef compared to commodity beef. Beretta Farms marks-to-market the carrying value of its feeder cattle and calf crop assets on a monthly basis using the mid-point of a recognized third-party Canadian pricing index for commodity cattle. The livestock in non-current biological assets consists of the breeding herd and these animals are carried at fair value using an estimate of the market value per head by asset class. Beretta Farms' largest asset, valued at \$8.6 million at September 30, 2017 is the combined current and long-term biological assets which are down from \$14.0 million at December 31, 2016. The change in fair value of Beretta Farms' biological assets reflects the reduction in the number of animals in Beretta Farms' herd compared to December 31, 2016 from the above noted sale of cull animals and breeding cows and bulls offset by gains in fair value driven by rising cattle prices.

For the three month period ending September 30, 2017 Beretta Farms' recorded EBIDTA of \$(0.9) million compared to \$(2.4) million for the same period in 2016, reflecting improving cattle markets along with initiatives undertaken by Beretta Farms to improve carcass utilization, raise capacity utilization at CPM, generate demand for products and control general and administrative expenses.

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

Major risks

The risks are fully described in the *Risk Management* section of the Company's MD&A as at and for the three-months ended March 31, 2017.

Valuation Approach

As discussed in the *Private Company Valuations* section of this MD&A, the Company did not engage a Valuator for its investment in Beretta Farms as at September 30, 2017. The Company has instead fair valued this investment relying on the most recent available information provided to investors, commodity pricing trends, the Company's effective control position of Beretta Farms, discussions with Beretta Farms management

and other inputs. The last Estimate Valuation report as to the value of the Company's equity interest in Beretta Farms was prepared as at September 30, 2016. The fair value reported for Beretta Farms is unchanged from June 30, 2017.

The Company completed its valuation using a going concern basis applying an adjusted net assets approach to determine fair value at September 30, 2017. The fair value of Beretta Farms was determined by adjusting the reported book value of those assets and liabilities required in operations to their respective fair values as at September 30, 2017, including a full provision for Beretta Farms' goodwill and intangible assets. In determining fair value, no value for Beretta Farms' tax loss pools was attributed.

The Company's reported fair value of Beretta Farms is recorded at approximately 0.52 times book value with approximately 56% of book value represented by tangible, liquid assets net of liabilities, including cash and receivables, biological assets and property and equipment. The fair value of Beretta Farms' largest asset, its current and long-term biological assets was estimated using the mid-point of a third-party Canadian commodity livestock pricing index based on the gender and average weight of the cattle with respect to current biological assets. There is no third-party index for natural, organic or grass fed cattle which command premiums over commodity cattle prices. The majority of Beretta Farms' cattle are natural or organic biological assets. Beretta Farms' remaining assets consist of goodwill and intangible assets, including brands and intangible assets purchased in acquisitions completed in 2013, 2014 and 2015.

Mining

S.C. Minera Tres Valles

Investment background

SRHI completed an investment on October 2, 2017, purchasing a 70% equity interest from the Vecchiola Group (Chile) for USD\$33.5 million of cash and USD\$6.4 million in common shares of SRHI for a total investment of USD\$39.9 million.

MTV is a fully permitted and operating mining complex located nine kilometers from Salamanca in Region IV of Chile. The mine first began commercial production in 2010 and consists of two main deposits: Papomono (underground) and Don Gabriel (open pit). In addition to mining its own ore, MTV has an agreement with Empresa Nacional De Minería ("ENAMI"), a Chilean state owned enterprise, to toll-treat ore, and in addition MTV purchases ore from local miners. MTV has a processing plant with permitted crushing capacity of 5,400 tonnes per day ("tpd") of ore, and can operate consistently up to 7,000 tpd with a minor amendment to its permit and with the addition of a quaternary crusher. As at September 30, 2017 MTV has 4,086 tonnes of contained copper under leach. The Solvent-Extraction Electrowinning (SX-EW) processing plant is designed to produce up to 18,500 tonnes per annum of 99.9% pure copper cathodes. Vecchiola Group purchased 100% of MTV in 2013 after Vale S.A. invested USD\$242 million to purchase, explore, develop and build MTV.

MTV owns the mineral rights to 44,334 hectares of land in Chile, and has historical JORC-compliant Measured and Indicated Resources of 40.7 million metric tonnes of ore at 0.81% Cu (of which 9.85 Mt are measured mineral reserves at 0.89% Cu and 30.85 Mt are indicated mineral resources at 0.80% Cu) using a cut-off grade of 0.2% Cu completed in May 2013. A qualified person has not done sufficient work to classify these historical estimates as current mineral resources or mineral reserves, and SRHI is not treating this historical estimate as current mineral resources. MTV has engaged consultants to prepare a National Instrument 43-101 - Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators ("NI 43-101") compliant technical report focused on upgrading these historical resource estimates, which is expected to be completed in the first quarter of 2018. See *Historical Estimates* elsewhere in this MD&A.

Market environment

MTV produces copper cathodes which are sold through an offtake agreement with an international trading group. SRHI is very bullish on copper because from its analysis, long-term supply/demand fundamentals support improving copper prices. There are a number of factors that led SRHI to this conclusion, first among which is the belief that a structural supply deficit is coming. The bear market in copper from 2010-2015 contributed to under investment in the sector, which contributed to significant supply destruction. Existing mines are beginning to experience declining ore grades and a lack of exploration has resulted in an insufficient number of new, high-quality discoveries. On the demand side of the equation, SRHI expects China to continue consuming ever-increasing quantities of copper, with investment in its electrical power grid being the key driver of this consumption. In addition, it is becoming increasingly clear that electrification of the automobile industry is coming much quicker than previously anticipated. The average electric vehicle ("EV") requires about three times as much copper as the average gasoline or diesel powered vehicle. SRHI believes the emergence of EVs will provide an additional structural tailwind for copper.

Equity analyst consensus currently forecast a copper price of USD\$2.84 per pound in 2018. Cochilco, the Chilean state copper commission forecast an average global copper price of \$2.95 per pound in 2018, a sharp upward revision from its mid-year estimate of \$2.68 per pound due

to greater demand in China. A higher price forecast should serve to increase production from third-party miners which may increase the toll-milling and purchased ore to be processed at MTV's plant.

Operational Update

The investment closed on October 2, 2017. In the third quarter of 2017, MTV mined 119,500 tonnes of mineralized material at a grade of 1.01% copper an increase of 1% and 9% respectively compared to the second quarter of 2017. Crusher activity decreased by 3% in the third quarter of 2017 compared to the previous quarter, driven by less third party ore delivery offset by a 17% increase in grade. Average crushing throughput of 1,800 tonnes per day is approximately one third of the crushing plant capacity. MTV will seek to increase production of mineralized material in the coming months from the Don Gabriel open-pit mine. In addition, forecast higher copper prices are expected to result in higher delivery of third-party and ENAMI mineralized material. Copper production decreased by 6% compared to the second quarter of 2017, as a result of high rain levels in May through August; Salamanca received 55% more rain in this time period than in the past few years, which affected the ore hauling and leach pad.

In the third quarter of 2017, production totaled 1,533 tonnes of copper (3.4 million pounds of copper), a decrease of 6% from the previous quarter. MTV management is working with IMC Ltd. to update the mineral resource estimate. In addition, MTV are commencing technical studies to increase production. It is anticipated that MTV will require additional external sources of capital to grow production.

	September 30, 2017	June 30, 2017
Don Gabriel Open Pit		
Ore mined (tonnes)	54,195	61,803
Waste mined (tonnes)	165,975	166,986
Strip ratio (W:O)	3.06	2.70
Copper grade mined (% of tonnes of ore mined)	0.85%	0.86%
Papomono Underground		
Ore mined (tonnes)	65,245	56,099
Copper grade mined (% of tonnes of ore mined)	1.14%	0.99%
MTV Consolidated Totals		
Total ore mined (tonnes)	119,440	117,902
Average copper grade mined (% of tonnes of ore mined)	1.01%	0.92%
Copper cathodes produced (tonnes)	1,533	1,626
MTV copper cathodes sold (tonnes)	1,346	1,498
ENAMI copper cathodes sold (tonnes)	180	56
Average sales price per lb (USD)	\$2.81	\$2.51
Crusher Activity		
MTV crushed (tonnes)	118,400	120,800
Third Party crushed (tonnes)	29,400	37,100
ENAMI crushed (tonnes)	14,500	10,200
Total mineral crushed (tonnes)	162,300	168,100
Copper grade crushed (% of tonnes of ore crushed)	1.21%	1.03%
Average tonnes per day crushed (tpd)	1,784	1,847

Major risks

The risks are fully described in the *Risk Management* section of the Company's MD&A as at and for the three-months ended March 31, 2017 and in the *Risk Management* section elsewhere in this MD&A.

Material listed investments

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

(in thousands)

Listed investment	September 30, 2017				
	Ticker Symbol and Stock Exchange	Investment Dollars Outstanding ¹	Fair Value	Valuation Basis ²	
InPlay Oil	IPO: TSX	\$ 34,669	\$ 11,922	closing price	
Corsa Coal	CSO: TSX-V	\$ 41,372	\$ 23,068	closing price	

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

² The fair values of financial instruments with quoted bid and ask prices are based on the price within the bid-ask spread that are most representative of fair value and may include closing prices in exchange markets

OPERATING RESULTS

Nine-Months Ended September 30, 2017

Operating results for the nine-months ended September 30, 2017 compared to the nine-months ended September 30, 2016 are presented below.

Investment gain (loss)

Investment loss for the Company is comprised of its net loss on investments.

<i>(in thousands)</i>	For the Nine-Months Ended	
	Sept. 30, 2017	Sept. 30, 2016
Net gain (loss) on investments	\$ (47,945)	\$ 2,860

Net gain (loss) on investments

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

<i>(in thousands)</i>	For the Nine-Months Ended	
	Sept. 30, 2017	Sept. 30, 2016
Net realized loss on investments	\$ (5,008)	\$ (194,244)
Reversal of previously recorded unrealized loss on investments ¹	5,008	194,244
Change in unrealized gain (loss) on investments	(44,995)	8,513
Change in unrealized foreign exchange loss on investments	(2,950)	(5,653)
Net gain (loss) on investments	\$ (47,945)	\$ 2,860

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

Net realized loss on investments

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

During the nine-months ended September 30, 2017, the Company partially disposed of Union Agriculture resulting in a realized loss of \$5.0 million. During the nine-months ended September 30, 2016, the Company disposed of (i) Potash Ridge Corp. ("Potash Ridge") resulting in a realized loss of \$13.8 million, (ii) One Earth Oil & Gas Inc. ("OEOG") resulting in a realized loss of \$48.5 million, (iii) Long Run resulting in a realized loss of \$87.8 million, (iv) Stonegate resulting in a realized loss of \$24.4 million, and (v) ICD resulting in a realized loss of \$19.8 million.

<i>(in thousands, except #)</i>	For the Nine-Months Ended			
	Sept. 30, 2017	#	Sept. 30, 2016	#
Total realized gains	\$ —	—	\$ —	—
Total realized losses	(5,008)	2	(194,244)	5
Net realized loss on investments	\$ (5,008)	2	\$ (194,244)	5

Reversal of previously recorded unrealized loss on investments

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

<i>(in thousands)</i>	For the Nine-Months Ended	
	Sept. 30, 2017	Sept. 30, 2016
Potash Ridge Corp.	\$ —	\$ 13,775
OEOG	—	48,500
Long Run	—	87,835
Stonegate	—	24,380
ICD	—	19,754
Union Agriculture	4,998	—
Other	10	—
Reversal of previously recorded unrealized loss on investments¹	\$ 5,008	\$ 194,244

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

Change in unrealized gain (loss) on investments

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

<i>(in thousands)</i>	Public/Private	For the Nine-Months Ended	
		Sept. 30, 2017	Sept. 30, 2016
Long Run	Public	\$ —	\$ 3,680
ICD	Public	—	(81)
InPlay Oil (pre November 11, 2016 go public transaction)	Private	—	(3,111)
InPlay Oil	Public	(2,200)	—
RII	Private	(3,820)	—
Corsa Coal	Public	(27,453)	30,127
Beretta Farms	Private	(4,142)	(14,028)
Union Agriculture	Private	(7,984)	(8,268)
Virginia Energy	Public	614	(141)
Other investments	Private/Public	(10)	335
Change in unrealized gain (loss) on investments		\$ (44,995)	\$ 8,513

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

Change in unrealized foreign exchange loss on investments

(in thousands)	For the Nine-Months Ended	
	Sept. 30, 2017	Sept. 30, 2016
ICD	\$ —	\$ (1,750)
Union Agriculture	(2,950)	(3,903)
Change in unrealized foreign exchange loss on investments	\$ (2,950)	\$ (5,653)

Expenses

(in thousands)	For the Nine-Months Ended	
	Sept. 30, 2017	Sept. 30, 2016
General and administrative expenses	\$ 742	\$ 1,317
Management fees and compensation	2,150	1,664
Transaction costs	1,127	429
Finance expense	—	1,012
Foreign currency translation loss (gain)	942	(2)
Total expenses	\$ 4,961	\$ 4,420

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

(in thousands)	For the Nine-Months Ended	
	Sept. 30, 2017	Sept. 30, 2016
Professional fees	\$ 329	\$ 266
Public company reporting costs	768	712
Office expenses	238	339
Interest income	(338)	—
Bargain purchase gain	(255)	—
	\$ 742	\$ 1,317

Public company reporting costs include \$81 thousand of director stock-based compensation for the nine-months ended September 30, 2017 (nine-months ended September 30, 2016: \$230 thousand). Interest income was \$338 thousand for the nine-months ended September 30, 2017 (nine-months ended September 30, 2016: \$nil) and is a result of the cash balances held from the capital raised by the Company through the Arrangement, Transaction and Offering. The bargain purchase gain is the result of the Arrangement as more fully described in the section *AD/ Business Combination With SRC* located elsewhere in this MD&A.

The increase in management fees and compensation costs for the nine-months ended September 30, 2017, compared with the nine-months ended September 30, 2016, is due to the increase in the average NAV of the Company on which the fee is based. Included in management fees and compensation is stock-based compensation for the nine-months ended September 30, 2017 of \$201 thousand (nine-months ended September 30, 2016: \$171 thousand), in connection with the Company's equity incentive plan that was, in part, paid in lieu of cash compensation.

For the nine-months ended September 30, 2017, transaction costs of \$1.1 million were incurred, compared to \$429 thousand for the nine-months ended September 30, 2016. For the nine-months ended September 30, 2017, transaction costs of \$1.1 million were primarily a result of professional fees associated with the Arrangement, Transaction and Offering of \$361 thousand, together with costs of \$645 associated with the investment

in MTV, and \$121 thousand associated with the evaluation of other potential new investments. These costs are not expected to be comparable to prior periods since they arise primarily when transactions are identified and entered into at the discretion of management.

Under IFRS, interest expense is included as finance expenses. The Company did not incur finance expenses for the nine-months ended September 30, 2017 compared to \$1.0 million for the nine-months ended September 30, 2016. The finance expense in the comparable period was comprised of interest expense on SRC's debt facility which SRC repaid in full on October 13, 2016. The Company does not expect to have finance expenses in 2017.

For the nine-months ended September 30, 2017, an unrealized foreign currency translation loss of \$942 thousand was incurred, compared to a \$2 thousand gain for the nine-months ended September 30, 2016. The Company was negatively affected by an appreciating Canadian dollar in relation to the US dollar during the third quarter of 2017 given the purchases of US dollars in anticipation of closing the MTV investment.

Income taxes

The Company did not report any current income taxes for the nine-months ended September 30, 2017 or for the nine-months ended September 30, 2016.

As at September 30, 2017 and September 30, 2016, management determined that the Company did not meet the criteria as set out in International Accounting Standard 12: *Income Taxes* to recognize a deferred tax asset.

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

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

Net income (loss) and comprehensive income (loss)

For the nine-months ended September 30, 2017, the Company reported net loss and comprehensive loss attributed to shareholders of \$52.9 million (\$0.10 per share) compared to a net loss and comprehensive loss attributed to shareholders of \$1.6 million (\$0.01 per share) reported for the nine-months ended September 30, 2016. The components of these amounts are discussed in the explanations provided above.

Three-Months Ended September 30, 2017

Operating results for the three-months ended September 30, 2017 compared to the three-months ended September 30, 2016 are presented below.

Investment gain (loss)

Investment loss for the Company is comprised of its net loss on investments.

<i>(in thousands)</i>	For the Three-Months Ended	
	Sept. 30, 2017	Sept. 30, 2016
Net gain (loss) on investments	\$ (8,036) \$	12,502

Net gain (loss) on investments

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

<i>(in thousands)</i>	For the Three-Months Ended	
	Sept. 30, 2017	Sept. 30, 2016
Net realized loss on investments	\$ (4,998)	\$ (44,134)
Reversal of previously recorded unrealized loss on investments (excluding the effects of foreign exchange) ¹	4,998	44,134
Change in unrealized gain (loss) on investments	(7,048)	13,333
Change in unrealized foreign exchange loss on investments	(988)	(831)
Net gain (loss) on investments	\$ (8,036)	\$ 12,502

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

Net realized loss on investments

<i>(in thousands, except #)</i>	For the Three-Months Ended			
	Sept. 30, 2017	#	Sept. 30, 2016	#
Total realized gains	\$ —	0	\$ —	0
Total realized losses	(4,998)	1	(44,134)	2
Total net realized loss on investments	\$ (4,998)	1	\$ (44,134)	2

During the three-months ended September 30, 2017, the Company disposed of approximately 25% of its investment in Union Agriculture resulting in a realized loss of \$5.0 million. During the three-months ended September 30, 2016, the Company disposed of approximately 60% of its investment in ICD resulting in a realized loss of \$19.8 million and its entire investment in Stonegate resulting in a realized loss of \$24.4 million.

Reversal of previously recorded unrealized loss on investments

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

<i>(in thousands)</i>	For the Three-Months Ended	
	Sept. 30, 2017	Sept. 30, 2016
Union Agriculture	\$ 4,998	\$ —
ICD	—	19,754
Stonegate	—	24,380
Reversal of previously recorded unrealized loss on investments¹	\$ 4,998	\$ 44,134

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

Change in unrealized gain (loss) on investments

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

<i>(in thousands)</i>	Public/Private	For the Three-Months Ended	
		Sept. 30, 2017	Sept. 30, 2016
ICD	Public	\$ —	\$ (2,204)
InPlay Oil	Public	1,135	—
RII	Private	(3,820)	—
Corsa Coal	Public	(1,299)	20,468
Beretta Farms	Private	—	(1,336)
Union Agriculture	Private	(2,922)	(3,652)
Other investments	Private/Public	(142)	57
Change in unrealized gain (loss) on investments		\$ (7,048)	\$ 13,333

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

Change in unrealized foreign exchange gain (loss) on investments

<i>(in thousands)</i>	For the Three-Months Ended	
	Sept. 30, 2017	Sept. 30, 2016
ICD	\$ —	\$ 34
Union Agriculture	(988)	(865)
Change in unrealized foreign exchange loss on investments		\$ (988) \$ (831)

Expenses

<i>(in thousands)</i>	For the Three-Months Ended	
	Sept. 30, 2017	Sept. 30, 2016
General and administrative expenses	\$ 261	\$ 405
Management fees and compensation	724	559
Transaction costs	590	326
Finance expense	—	296
Foreign currency translation loss (gain)	942	(3)
Total expenses	\$ 2,517	\$ 1,583

The composition of G&A expenses is as follows:

<i>(in thousands)</i>	For the Three-Months Ended	
	Sept. 30, 2017	Sept. 30, 2016
Professional fees	\$ 172	\$ 128
Public company reporting costs	175	205
Office expenses	79	72
Interest income	(165)	—
	\$ 261	\$ 405

Public company reporting costs includes \$25 thousand of director stock-based compensation for the three-months ended September 30, 2017 (three-months ended September 30, 2016: \$59 thousand). Interest income was \$165 thousand for the three-months ended September 30, 2017 (three-months ended September 30, 2016: \$nil) and is a result of the cash balances held from the capital raised by the Company through the Arrangement, Transaction and Offering.

The increase in management fees and compensation costs for the three-months ended September 30, 2017, compared with the three-months ended September 30, 2016, is due to the increase in the average NAV of the Company on which the fee is based. Included in management fees and compensation is stock-based compensation for the three-months ended September 30, 2017 of \$120 thousand (three-months ended September 30, 2016: \$12 thousand), in connection with the Company's equity incentive plan that was, in part, paid in lieu of cash compensation.

For the three-months ended September 30, 2017, transaction costs of \$590 thousand were incurred, compared to \$326 thousand for the three-months ended September 30, 2016. For the three-months ended September 30, 2017, transaction costs of \$590 thousand were a result of professional fees associated with the Arrangement, Transaction and Offering of \$255 thousand together with costs of \$335 thousand associated with the investment in MTV and the evaluation of other potential new investments. Transaction costs are not expected to be comparable to prior periods since they arise primarily when transactions are identified and entered into at the discretion of management.

Under IFRS, interest expense is included as finance expenses. The Company did not incur finance expenses for the three-months ended September 30, 2017 compared to \$296 thousand for the three-months ended September 30, 2016. The finance expense in the comparable period was comprised of interest expense on SRC's debt facility which SRC repaid in full on October 13, 2016. The Company does not expect to have finance expenses in 2017.

For the three-months ended September 30, 2017, an unrealized foreign currency translation loss of \$942 thousand was incurred, compared to a \$3 thousand gain for the three-months ended September 30, 2016. The Company was negatively affected by an appreciating Canadian dollar in relation to the US dollar during the third quarter of 2017 given the purchases of US dollars in anticipation of its MTV investment.

Income taxes

For the three-months ended September 30, 2017 and three-months ended September 30, 2016, the Company did not report any current or deferred income taxes.

Net income (loss) and comprehensive income (loss)

For the three-months ended September 30, 2017, the Company reported a net loss and comprehensive loss of \$10.6 million (\$0.02 per share) compared to a net loss and comprehensive loss of \$10.9 million (\$0.04 loss per share) reported for the three-months ended September 30, 2016. The components of these amounts are discussed in the explanations provided above.

Statement of Financial Position

Assets

(in thousands)	As at	
	Sept. 30, 2017	Dec. 31, 2016
Cash and cash equivalents	\$ 75,719	\$ 12,196
Trade and other receivables	558	407
Investments owned, at fair value	56,702	100,669
Total assets	\$ 132,979	\$ 113,272

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

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

Liabilities

(in thousands)	As at	
	Sept. 30, 2017	Dec. 31, 2016
Total liabilities	\$ 926	\$ 2,487

Total liabilities, which are comprised of trade and other payables as at September 30, 2017 include management fees payable to SCLP of \$0.3 million (December 31, 2016: \$0.2 million).

Working capital

(in thousands)	As at	
	Sept. 30, 2017	Dec. 31, 2016
Cash and cash equivalents, trade and other receivables	\$ 76,277	\$ 12,603
Liabilities	(926)	(2,487)
Working capital	\$ 75,351	\$ 10,116

NAV per share

	As at				
	Sept. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sept. 30, 2016
NAV per share, based on fair values ¹	\$ 0.21	\$ 0.23	\$ 0.27	\$ 0.38	\$ 0.36

¹ Amounts at December 31, 2016 and earlier have been adjusted to reflect the post-Arrangement ratio of 3.0 ADI shares for each SRC share.

Management views NAV per share (see *Defined Terms* section) as an indicative performance measure as it reflects the value attributable to each common share of the Company. NAV (and not NAV per share) on a stand-alone basis is not necessarily an absolute basis of measurement as it does not reflect all of the impacts in value to the shareholder, including the effects of the \$120 million in capital returned to SRC shareholders through normal course issuer bids and the 2013 dividend.

LIQUIDITY AND CAPITAL RESOURCES

<i>(in thousands)</i>	For the Nine-Months Ended	
	Sept. 30, 2017	Sept. 30, 2016
Cash flows from operating activities		
Net income (loss) attributable to shareholders	\$ (52,906)	\$ (1,560)
Items not affecting cash	47,978	(2,464)
Purchase of investments	—	(2,661)
Sale of investments	2,572	21,381
Changes in non-cash operating working capital	(2,265)	(10)
Cash provided by (used in) operating activities	(4,621)	14,686
Cash flows from financing activities		
Proceeds from credit facility	—	4,500
Repayments of credit facility	—	(9,131)
Acquisition of treasury stock	(199)	(480)
Cash and cash equivalents received on Arrangement, net of issue costs	26,283	—
Net proceeds from Transaction	14,559	—
Net proceeds from Offering	27,501	—
Cash provided by (used in) financing activities	68,144	(5,111)
Change in cash and cash equivalents	63,523	9,575
Cash and cash equivalents - Beginning of year	12,196	674
Cash and cash equivalents - End of period	\$ 75,719	\$ 10,249

For the nine-months ended September 30, 2017, the Company recorded a net loss of \$52.9 million. Items not affecting cash totaled \$48.0 million and together with proceeds on the sale of investments of \$2.6 million and a decrease in non-cash operating working capital of \$2.3 million, the Company reported cash used in operating activities of \$4.6 million.

For the nine-months ended September 30, 2016, the Company recorded a net loss of \$1.6 million. Items not affecting cash totaled \$2.5 million and together with a net sale of investments of \$18.7 million the Company reported cash provided by operating activities of \$14.7 million.

For the nine-months ended September 30, 2017, cash provided by financing activities totaled \$68.1 million compared to cash used for financing activities of \$5.1 million for the nine-months ended September 30, 2016. For the nine-months ended September 30, 2017, cash provided by financing activities was comprised primarily of \$26.3 million in cash received as a result of the Arrangement, net proceeds from the Transaction of \$14.6 million and net proceeds from the Offering of \$27.5 million, partially offset by \$0.2 million used in the purchase of common shares for the equity incentive plan.

For the nine-months ended September 30, 2016, cash used for financing activities of \$5.1 million comprised of funds drawn on the credit facility of \$4.5 million, repayments of the credit facility of \$9.1 million and the purchase of common shares for the equity incentive plan of \$0.5 million.

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

FINANCING ACTIVITIES BY THE COMPANY

It has been the Company's policy to preserve a financially strong company that has the capital available to support the growth of existing investments and make new investments. In certain circumstances, the Company will provide loans or guarantees to investee companies in which it has significant ownership to further their respective business plans. There are no loans or guarantees to investee companies at September 30, 2017.

On September 29, 2015, SRC as the borrower and SRP as the guarantor entered into an amended and restated credit facility with Sprott Resource Lending Corp., a subsidiary of Sprott, the parent company of the Managing Partner, which was subsequently amended by an amending agreement dated May 10, 2016. The credit facility was an \$18.0 million term facility that matured on November 11, 2016 ("Maturity Date") and was available for general corporate purposes. Upon signing the amending agreement SRC paid a commitment fee equal to 0.5% of the credit facility. Interest accrued daily at 8% per annum, compounded monthly. On October 13, 2016, SRC repaid the credit facility in full.

On February 9, 2017, SRC and ADI closed their previously announced Arrangement where SRC became a wholly-owned subsidiary of ADI and holders of common shares of SRC received 3.0 ADI common shares per common share of SRC. The Arrangement provided the Company with incremental cash and cash equivalents of \$26.4 million, other assets of \$6.7 million and assumed liabilities of \$0.7 million. See the section *ADI Business Combination with SRC* elsewhere in this MD&A for additional details.

On February 9, 2017, (i) Sprott invested \$10 million in ADI common shares and (ii) a fund managed by a subsidiary of Sprott, together with Term Oil Inc. (a corporation controlled by A.R. (Rick) Rule IV), invested a total of \$5 million in units of ADI. See the section *ADI Business Combination with SRC* elsewhere in this MD&A for additional details.

On April 18, 2017, the Company closed its previously announced Offering for gross proceeds of \$30.0 million resulting in the issuance of 120 million Offered Units. See the section *SRHI Marketed Offering* elsewhere in this MD&A for additional details.

OUTSTANDING SHARE DATA

Authorized capital:

Common shares, no par value, unlimited shares.

Issued and outstanding:

The Company had 630,488,999 common shares issued and outstanding as at September 30, 2017 and 681,680,846 common shares issued and outstanding on the date hereof.

<i>(in thousands, except #)</i>	Common shares (#)	Amount
Balance - December 31, 2015 and December 31, 2016 ¹	157,554,238 \$	280,902
Shares issued on Arrangement, net of issue costs	290,016,306	30,341
Shares issued on Transaction, net of issue costs	62,918,455	13,726
Shares issued on Offering, net of issue costs	120,000,000	22,955
Balance - September 30, 2017	630,488,999	347,924
Shares issued on MTV investment, net of issue costs	51,191,847	7,976
Balance - November 10, 2017	681,680,846 \$	355,900

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

Outstanding warrants:

Common share purchase warrants outstanding are as follows:

<i>(in thousands, except #)</i>	Warrants (#)	Amount
Balance - January 1, 2016 and January 1, 2017	—	\$ —
Warrants issued on Arrangement, net of issue costs	39,388,560	1,683
Warrants issued on Transaction, net of issue costs	20,000,000	833
Warrants issued on termination of Profit Distribution	21,750,000	933
Warrants issued on Offering, net of issue costs	120,000,000	4,547
	201,138,560	\$ 7,996

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

Outstanding stock options:

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

The Company did not grant any stock options in the nine-months ended September 30, 2017. SRC's stock option plan was cancelled on February 9, 2017 on the completion of the Arrangement and all SRC stock options expired as a result. The Option Plan of the Company remains in place.

The continuity of stock options is as follows:

	Stock options (#)	Weighted average exercise price (per unit)
Balance - December 31, 2016	5,250,000	\$ 0.30
Expired	(950,000)	0.81
Balance - September 30, 2017 and November 10, 2017	4,300,000	\$ 0.19

The following table summarizes the options outstanding as at September 30, 2017:

Year of Expiry	Number of options outstanding	Weighted average exercise price (per unit)	Weighted average remaining contractual life (years)	Number of exercisable options outstanding	Weighted average exercise price (per unit)
2018	650,000	\$ 0.22	0.62	650,000	\$ 0.22
2019	650,000	0.17	1.61	650,000	0.17
2020	3,000,000	0.19	3.13	3,000,000	0.19
	4,300,000	\$ 0.19	2.52	4,300,000	\$ 0.19

Treasury stock

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

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

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

The Trust purchased 1.1 million common shares for the nine-months ended September 30, 2017 (for the year ended December 31, 2016: 2.7 million common shares). During the nine-months ended September 30, 2017, an additional 1.0 million common shares were released on vesting from the equity incentive plan.

<i>(in thousands, except #)</i>	Common shares (#)	Amount
Unvested common shares held by the Trust, December 31, 2016 ¹	1,602,261	\$ 437
Acquired for equity incentive plan	1,132,106	199
Released on vesting of equity incentive plan	(1,002,969)	(176)
Unvested common shares held by the Trust, September 30, 2017	1,731,398	460
Acquired for equity incentive plan	55,757	8
Released on vesting of equity incentive plan	(55,757)	(8)
Unvested common shares held by the Trust, November 10, 2017	1,731,398	\$ 460

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

COMMITMENTS (as at November 10, 2017)

SRHI Management Services Agreement ("MSA")

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

Up until October 2, 2017, SRHI invested and operated in the natural resource sector through SRP and ADM. Substantially all of the holdings of SRHI were held by SRP. On October 2, 2017, SRP was restructured resulting in an effective amalgamation with SRC and the Partnership Agreement was terminated. There is no impact to the operations of the Company as a result of this effective amalgamation and substantially all of the holdings of SRHI are now held by SRC.

TRANSACTIONS WITH RELATED PARTIES

The Company entered into the following transactions with related parties during the nine-months ended September 30, 2017.

Management fees and employment compensation pursuant to the Cancelled MSA and MSA for the nine-months ended September 30, 2017 were \$2.2 million (nine-months ended September 30, 2016: \$1.7 million). The employment compensation portion was paid directly by SRHI or one of its subsidiaries to employees and consultants provided by SCLP and the remainder was paid and payable to SCLP, an entity with directors and officers in common. As at September 30, 2017, there was \$0.3 million (December 31, 2016: \$0.2 million) payable to SCLP for management fees calculated pursuant to the MSA (December 31, 2016: Cancelled MSA).

Commissions paid to Sprott Capital Partners ("SCP") and Sprott Global Resource Investments Ltd. ("Sprott Global") in connection with the Transaction and Offering for the nine-months ended September 30, 2017 was \$2.1 million (nine-months ended September 30, 2016: \$nil). SCP and Sprott Global are affiliates of SCLP.

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

MANAGEMENT FEE AND PROFIT DISTRIBUTION

January 1, 2016 to February 8, 2017

The Cancelled MSA was in effect from January 1, 2016 to February 8, 2017 and may be accessed at www.sedar.com.

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

Effective February 9, 2017

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

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

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

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

The Adjusted Annual Operating Expenses (as defined in the MSA) shall not: (a) exceed 3.25% of the Annual Net Asset Value of SRHI (as defined in the MSA) in respect of its fiscal year ending December 31, 2017 (provided that SRHI's fiscal year ending December 31, 2017 and fiscal quarter ending March 31, 2017 shall each be deemed to begin on the date of the MSA for the purposes of calculating both the Adjusted Annual Operating Expenses and the Maximum Adjusted Annual Operating Expenses (as defined below) pursuant to this item (a)), and (b) exceed 3% of the Annual Net Asset Value of SRHI in respect of fiscal years commencing with SRHI's fiscal year ended December 31, 2018 and thereafter (the "Maximum Adjusted Annual Operating Expenses"). Where such Adjusted Annual Operating Expenses exceed the Maximum Adjusted Annual Operating Expenses (unless otherwise consented to by the board of directors of SRHI), the Management Services Fee payable by SRHI to SCLP in respect of the last quarterly payment to be made in respect of such fiscal year shall be reduced to ensure the Adjusted Annual Operating Expenses are equal (or, in any case, do not exceed) the applicable Maximum Adjusted Annual Operating Expenses. For the period February 9, 2017 to September 30, 2017, the Company's annualized Adjusted Annual Operating expense was less than 3.25%.

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

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

SRHI may terminate the MSA at any time if SCLP breaches any of its material obligations under the MSA and such breach has not been cured within 30 days following notice thereof from SRHI. Notwithstanding the foregoing, the MSA will terminate immediately where a winding-up, liquidation, dissolution, bankruptcy, sale of substantially all assets, sale of business or insolvency proceeding has been commenced or is being contemplated by SCLP, and will be terminated upon the completion of any such proceeding by SRHI. In addition, in the event that a Person or group of Persons, acting jointly or in concert, acquires control over at least 50% of the voting securities of SRHI (a "Change of Control"), SCLP may elect, in its sole discretion, to terminate the MSA by giving SRHI written notice of such termination within 90 days after the Change of Control.

In the event that SCLP terminates the MSA upon a Change of Control, SRHI will (a) call a meeting of its shareholders to approve the change of SRHI's name to remove any reference to "Sprott", and (b) pay to SCLP within five business days of such termination, a termination fee equal to 3% of the Net Asset Value of SRHI, plus (if and to the extent applicable) an amount equal to 20% of the amount by which the market capitalization of SRHI exceeds the Net Asset Value of SRHI, all determined as at the termination date. Any change of SCLP (other than by assignment to its successor or affiliate) will require SRHI's approval. SRHI may, in its sole discretion, terminate and replace SCLP where it deems it to be in the best interests of SRHI.

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

On February 9, 2017, SRC entered into the Partnership Agreement with the Managing Partner in respect of SRP. The terms of the Partnership Agreement do not provide for a profit distribution to be made to the Managing Partner. On October 2, 2017, SRP was restructured resulting in an effective amalgamation with SRC and the Partnership Agreement was terminated. There is no impact to the operations of the Company as a result of this effective amalgamation.

For the purposes of calculating management fees for the three-months ended September 30, 2017, the reported NAV at June 30, 2017 of \$142.6 million was used together with the NAV reported at September 30, 2017 of \$132.1 million. Management fees are calculated quarterly based on the average NAV of the current quarter and the prior quarter.

SUMMARY OF QUARTERLY RESULTS ¹

<i>(in thousands, except per share amounts)</i>	2017			2016			2015	
	Sept	Jun	Mar	Dec	Sept	Jun	Mar	Dec
Investment gain (loss)	\$ (8,036)	\$(21,719)	\$(18,190)	\$ 7,537	\$ 12,502	\$(16,143)	\$ 6,498	\$(26,201)
Net income (loss) attributable to shareholders ²	\$ (10,553)	\$(23,292)	\$(19,061)	\$ 5,044	\$ 10,919	\$(17,517)	\$ 5,035	\$(28,549)
Basic and diluted earnings (loss) per share	\$ (0.02)	\$ (0.04)	\$ (0.05)	\$ 0.02	\$ 0.04	\$ (0.06)	\$ 0.02	\$ (0.10)

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

² Net loss attributable to shareholders for the three-months ended March 31, 2017 has been increased by \$185 thousand as a result of the retrospective application of the revised purchase price allocation in the second quarter of 2017 for the Arrangement - see ADI Business Combination With SRC section elsewhere in this MD&A.

The Company is not impacted materially by seasonality.

RISK MANAGEMENT

Financial risk management

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

Market Risk

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

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to minimal interest rate risk from its interest bearing financial instruments as they typically have short-term maturities.

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

Foreign Currency Risk

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

As at September 30, 2017, approximately \$3.4 million or 2.6% (December 31, 2016: \$22.1 million or 19.6%) of Investment assets were priced in USD, and approximately \$50.3 million or 66% of cash was held in USD (December 31, 2016: \$nil). The Company purchased US dollars in anticipation of closing the MTV investment. As at September 30, 2017, had the exchange rate between the USD and the Canadian dollar increased or decreased by 5%, with all other variables held constant, the increase or decrease, respectively, in net loss for the three and nine-months ended September 30, 2017 would have amounted to approximately \$2.7 million (for the year-ended December 31, 2016: \$0.8 million).

As at the date hereof, the Company held approximately \$8.5 million of cash and cash equivalents priced in USD, and approximately \$50.9 million of investments priced in USD.

Price Risk

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

A 10% increase/decrease in the value of all public equity and private market investments would result in an approximate increase/decrease in the value of public and private market exposure and an unrealized gain/loss in the amount of \$5.7 million.

Commodity Price Risk

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

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

Credit Risk

Credit risk is the risk that a third party will fail to meet its contractual obligations, which could result in the Company incurring a loss. Trade and other receivables are subject to credit risk exposure and the carrying values reflect management's assessment of the associated maximum exposure to such credit risk.

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

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

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages liquidity risk by maintaining sufficient cash and cash equivalents balances

to enable settlement of transactions on the due date. Periodic cash flow forecasts are performed to ensure the Company has sufficient cash to meet operational costs. For additional information, see the *Financing Activities by the Company* section elsewhere in this MD&A.

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

Lack of Diversification

From time to time, the Company may have only a limited number of investments and projects and, as a result, the performance of the Company may be adversely affected by the unfavourable performance of one investment or project. As well, the Company's investments and projects are concentrated in the natural resource sector. As a result, the Company's performance will be disproportionately subject to adverse developments in this particular sector.

Corsa Coal represents approximately 75% of the Mining segment and approximately 17% of total equity attributable to shareholders of the Company as at September 30, 2017.

Risks Relating to MTV's Business

The following risks are in addition to those risks relating to the mining sector as set out in the Risk Management section of the Company's MD&A as at and for the three-months ended March 31, 2017.

Environmental Developments and Regulation in Chile

Mining companies are required to seek and to comply with the terms of governmental concessions, permits, authorisations and other approvals in connection with their exploration, construction and operating activities. Obtaining the necessary governmental permits can be a complex and time-consuming process and may involve costly undertakings.

In the last couple of decades the Chilean environmental regulation has evolved, been perfected and become more restrictive by means of Laws No. 19,300; 20,417 and 20,600, which govern all environmental activities in the country such as environmental damage, air and water quality and emission standards. A new statutory framework, specialized assessment system, environmental superintendence and courts have also been created. Pursuant to these new laws, any project or activity capable of causing environmental impact must be submitted to the Environmental Impact Assessment System in order to be evaluated prior to its development.

Furthermore, Chilean mining companies must actively monitor specific air emission levels, ambient air quality, the quality of nearby surface water, the level of contaminants in the soil and the creation, management and disposal of solid and liquid waste. Such companies must also submit quarterly reports on emission levels and annual reports on water monitoring to environmental authorities. The environmental authorities conduct additional testing to validate the company's results. If a mining company exceeds certain emission levels or does not comply with the environmental regulation, authorities may impose the following sanctions depending on how infractions are qualified: written warnings; fines; provisional or definitive closure of the facilities or site; and the revocation of permits. A mining company will be responsible to third parties for the environmental liabilities and related compensatory damages incurred by its governing body or agents

In addition to the above, Chilean mining companies must also comply with Law No. 20,551 on the closure of mining sites and facilities. This law aims to mitigate the effects of the mining industry by requiring companies to follow a closure plan bound to a financial guarantee. The value of a closure plan corresponds to the present value of the costs associated with the closure and post-closure activities described in the plan, which are calculated considering the lifespan of the site, comprising all mines and facilities as part of a single project. The aforementioned financial guarantee is lodged gradually with the National Geology and Mining Service ("SERNAGEOMIN") during the site's lifespan by means of legally recognized financial instruments, such as cash collaterals, certificates of deposit and letters of credit. Accordingly, pursuant to Law No. 20,551, at least 20% of the guarantee must be provided within one year from the approval of the closure plan permit. For sites whose lifespan is under 20 years, the remaining portion of the guarantee must be provided within 2/3 of the lifespan. Subsequently, as the closure and post-closure measures are executed by the mining company, the guarantee is released (returned) by the State to the company. If a closure plan is not satisfactorily implemented by a mining company, SERNAGEOMIN may apply fines and execute the guarantee.

The costs associated with compliance with environmental laws, regulations and licences are substantial. The addition of new laws and regulations, changes to existing laws and regulations or the more stringent enforcement or restrictive interpretation of current laws, regulations, rulings or clearances could cause additional expenditure to be incurred by, impose restrictions on, or impose suspensions of a mining company's operations and cause delays in the development of its projects. Moreover, these laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety impacts of the mining company's past and current operations, and could lead to the imposition of substantial fines, penalties or other civil sanctions. The

occurrence of any of these factors may have a material adverse effect on MTV's business, results of operations and financial condition and the price of the Company's shares.

In 2015, Chile passed legislation introducing a new carbon tax in 2017. Law No. 20,780 established a tax of USD \$5 per tonne of CO₂, which would initially cover fixed sources of emissions, such as large boilers and electricity generators; however, the cost could increase if the scope of the legislation changes.

Finally, it should be noted that MTV's project is situated in the *Manquehua* and *Cárcamo* gorges, located near the communes of Salamanca and Illapel, in the province of Choapa, IV Region of Coquimbo. That area is near *Raja de Manquehua*, which is in the process of being declared a natural sanctuary, due to offering special opportunities for study and geological, paleontological, zoological, botanical or ecological investigations, as well as having natural formations whose conservation is of scientific and State interest. Such declaration will be the result of years of joint efforts of local communities and authorities. Once the declaration is effective, any modification or expansion of MTV's project will be subject to the provisions of the special legislation governing this category of protected area, increasing the number of permits necessary for the project's execution. Obtaining these additional permits will be difficult and time consuming and, as a result, MTV's project may be delayed.

Community Relations

The maintenance and promotion of an appropriate relationship with communities near a mining site that may be affected by the project's externalities is very important. Such relationship is usually obtained by the mining company conducting dialogues and round tables with community stakeholders and implementing social, educational or economic development programs that benefit the community.

In Chile, an inappropriate relationship with the community could have the following impacts:

- i. In the event that an expansion or update of a mining company's project is submitted for environmental approval, local communities may participate in the applicable environmental assessment by filing observations that they deem appropriate. These may result in the environmental authority imposing stricter environmental measures and commitments in the resulting Environmental Assessment Resolution approving the project than those that were initially estimated as legally required. In addition, if communities feel they were not properly considered or consulted, they may file a claim before the Committee of Ministers, which, as a result, may decide to reject the original approval of the project or modify the approved Environmental Assessment Resolution and impose additional environmental commitments.
- ii. Any person who feels damaged in any of his or her constitutional rights may file a special constitutional action before the Court of Appeals in order to halt a project.
- iii. A citizen organization or any of its members may submit a complaint before the Environmental Superintendence in order to initiate an investigation of a mining project, which could potentially result in the imposition of sanctions to a mining company or even the halt of the project involved.

In case of MTV, one of the most active communities in the area is *Comunidad Agrícola La Chalinga*. Moreover, there are several communities which have constituted cooperatives or other types of legal entities through which they act, such as *Cooperativa Agrícola de Colonización Illapel Limitada* and *Cooperativa Agrícola Chuchini Limitada*. Most of these organizations or groups of families located in the area of MTV's project are dedicated to agriculture and their main focus is to protect natural resources, especially water sources, from different companies.

Labour

Certain of MTV's operations may be carried out under potentially hazardous conditions. Whilst MTV intends to operate in accordance with all applicable health and safety regulations and requirements, MTV remains susceptible to the possibility that liabilities might arise as a result of accidents or other workforce-related misfortunes, some of which may be uninsurable or beyond MTV's control.

MTV's operations may be affected by labour-related problems in the future, such as union demands and litigation for pay raises and increased benefits. There can be no assurance that work stoppages or other labour-related developments (including the introduction of new labour regulations in Chile) will not adversely affect the results of operations or the financial condition of MTV.

Furthermore, when the world mining industry is buoyant there is increased competition for the services of suitably qualified and/or experienced sub-contractors, such as mining and drilling contractors, assay laboratories, metallurgical test work facilities and other providers of engineering, project management and mineral processing services. As a result, MTV may experience difficulties in sourcing and retaining the services of suitably qualified and/or experienced sub-contractors. The loss or diminution in the services of suitable qualified and/or experienced sub-contractors or an inability to source or retain necessary sub-contractors or their failure to properly perform their services could have a material and adverse effect on MTV's business, results of operations, financial condition and prospects.

MTV is unable to predict the risk of insolvency or other managerial failures by any of the contractors or other service providers used by MTV in its current and future activities. Any such insolvency or managerial failures may have a material adverse effect on the results of operations or the financial condition of MTV.

There are currently no proposed bills in Chile that imply significant changes to labour regulations. However, the reform to collective bargaining legislation, which came into effect on April, 2017, is currently being implemented. These new regulations strengthen a labour union's leverage during collective bargaining by prohibiting the replacement of the workers taking part in a strike, foster unionization and prevent companies from extending the benefits of a collective agreement to non-unionized workers without the prior consent of the union. Although the designation of emergency teams is currently permitted in order to avoid greater damages during a strike, this measure is nonetheless applied in a very restrictive manner.

Indigenous Peoples

Various international and national laws, codes, resolutions, conventions, guidelines, and other materials relate to the rights of indigenous peoples. Many of these materials impose obligations on governments to respect the rights of indigenous people. Some mandate that governments consult with indigenous people regarding government legislative or administrative measures, which may directly affect indigenous peoples, including actions to environmentally approve mining projects. ILO Convention 169, which has been ratified by Chile, is an example of such an international convention. Consultations carried out in application of this Convention must be undertaken in good faith and in a form appropriate to the circumstances, with the objective of achieving agreement or consent to the proposed measures. Mining rights and easements are not affected by such consultations, as these are granted by means of court rulings. However, in the case of easements, indigenous people and public offices may participate, giving their opinion, opposing their granting, delaying their processing or increasing their compensation price. The obligations of government and private parties under the various international and national materials pertaining to indigenous people continue to evolve and be defined. Examples of recent developments in this area include the United Nations Declaration of the Rights of Indigenous People and the International Finance Corporation's revised Performance Standard 7, which requires governments to obtain the free, prior, and informed consent of indigenous peoples who may be affected by government action. While the territory where MTV's operations is located is not near an indigenous population, MTV's current and future operations are still subject to a risk that one or more groups of indigenous people may oppose continued operation, further development or new development of MTV's projects or operations. Such opposition may be directed through legal or administrative proceedings or expressed in manifestations such as protests, roadblocks or other forms of public expression against MTV's activities. Opposition by indigenous people to MTV's operations may delay or require modification of MTV's project or may require MTV to enter into agreements with indigenous people with respect to its project.

Operating in Foreign Jurisdictions

Exploration in Chile exposes MTV, and the Company, to risks that may not otherwise be experienced if operations were domestic. Real and perceived political risk in some countries may also affect MTV's ability to finance exploration programs and future mine development opportunities. Although Chile has a mature and stable political system and enjoys one of the best country risk ratings of the region, there is always the potential for changes in mining policies, royalties, taxes or shifts in political attitude towards foreign investment in natural resources. Changes, even if minor in nature, may adversely affect MTV's operations.

Increased Risks Associated with Emerging Market Investments Generally

The Company's investment in Chile-based MTV may be considered an investment in an emerging market. This investment is dependent upon economic conditions in Chile, and any decline in Chile's economic conditions could have an adverse effect on such investment. Emerging market investments generally pose a greater degree of risk than investment in more mature market economies because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments.

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

Operating in emerging markets can increase the risk that contractual and/or mineral rights may be disregarded or unilaterally altered. In addition to potentially affecting the price of copper, general inflationary pressures may also affect MTV's labour, commodity and other input costs at operations in emerging markets, which could have a materially adverse effect on the Company's financial condition, financial performance and capital expenditures for the development of its projects.

There can be a greater level of political, social and economic risk in emerging markets compared to some other countries in which the Company operates. Operations in emerging markets may be subject to more frequent civil disturbances and criminal activities such as trespass, illegal mining, sabotage, theft and vandalism.

The foregoing risks may limit or disrupt operating mines or projects, restrict the movement of funds, cause MTV or the Company to have to expend more funds than previously expected, or result in the deprivation of contract rights or the taking of property by nationalization or expropriation without fair compensation, and may materially adversely affect the Company's financial position or financial performance. Certain of these risks have increased in recent years. Furthermore, in the event of disputes arising from MTV's activities in Chile, the Company may be subject to the jurisdiction of courts outside North America, which could adversely affect the outcome of the dispute.

Increased Risks Associated with Emerging Markets in South America

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

A crisis in other emerging market countries could dampen investor enthusiasm and the value attributed to companies with South American operations. Financial conditions in Argentina, Brazil or other emerging market countries could negatively impact Chile's economy in the future. Although economic conditions in these countries may differ significantly from economic conditions in Chile, investors' reactions to developments in these other countries, such as the recent developments in the global financial markets, may substantially affect the capital flows into, and the market value of companies with operations in Chile.

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

Although the officers of the Company do not expect that the disclosure controls and procedures of internal controls over financial reporting will prevent all errors and fraud, based on their evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures and internal controls over financial reporting are effectively designed for the three-months ended September 30, 2017. Since the Acquisition Date, the Company adopted and implemented the disclosure controls and procedures and internal controls over financial reporting that previously existed at SRC. There were no significant changes in the Company's internal controls over financial reporting that occurred during the three-months ended September 30, 2017, that have materially affected, or are reasonably likely to have materially affected, the Company's internal controls over financial reporting. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Fair value of investments

The Company's investments are recorded in the Consolidated Statements of Financial Position at fair value. Management uses their judgment to select a variety of methods and make assumptions that are not always supported by quantifiable market prices or rates. Judgment is required in order to determine the appropriate valuation methodology under this standard and subsequently in determining the inputs into the valuation model used. These judgments include making assessments of the future earnings potential of investee companies, appropriate earnings multiples to apply, and adjustments to comparable multiples. In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that the Company believes will materially affect the methodology or assumptions utilized in making these estimates in these Financial Statements. Accordingly, actual values realized in future market transactions may differ from the estimates presented in these Financial Statements and the differences may be material. The use of different market assumptions and/or valuation methodologies may have a material effect on the estimated fair values of various assets and liabilities. The fair values of financial instruments with quoted bid and ask prices are based on the price within the bid-ask spread that are most representative of fair value and may include closing prices in exchange markets.

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

Determination of investment entity status

The most significant judgment made in preparing the Financial Statements is the determination that the Company is an investment entity. In accordance with IFRS 10, an investment entity is an entity that: "obtains funds from one or more investors for the purpose of providing them with investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis." In determining its status as an investment entity, the most significant judgments made include the determination by the Company that its investment-related activities with subsidiaries, other than SRC, SRP, SRH Chile and ADM do not represent a separate substantial business activity and that fair value is the primary measurement attribute used to monitor and evaluate substantially all of its investments.

SRHI management continues to assess the impacts on the Company's financial reporting once it becomes a diversified holding company which may or may not include the continued reliance on its investment entity status. The Company's preliminary assessment is that it will no longer be able to continue its investment entity status once it has completed its transition to a diversified holding company. However, SRHI management cautions readers that this is a preliminary assessment that could change. Should this preliminary assessment become a final determination, the most significant impacts to the Company's financial reporting include consolidating investments that are controlled by the Company and reporting investments under significant influence using equity accounting.

Stock-based compensation

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

Warrants

The Company engages in equity financing transactions which may involve issuance of equity units which are comprised of common shares and warrants. Share purchase warrants that are part of units are measured at fair value on the date of issue using the Black-Scholes option pricing model which requires management to make certain estimates in fair valuing the warrants.

Business combinations

Determination of whether a set of assets acquired and liabilities assumed constitute the acquisition of a business or asset may require the Company to make certain judgements as to whether or not the assets acquired and liabilities assumed include the inputs, processes and outputs necessary to constitute a business as defined in IFRS 3 – *Business Combinations*. Based on an assessment of the relevant facts and circumstances, the Company concluded that the acquisition of ADI on February 9, 2017 met the criteria for accounting as a business combination.

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

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

HISTORICAL ESTIMATES

Disclosure of the historical estimate in this MD&A is derived from an audit study completed by Snowden Mining Industry Consultants in May 2013 for Vale S.A. and has been judged to be relevant and therefore suitable for disclosure, however should not be relied upon. There are numerous uncertainties inherent in the historical estimate, which is subject to all of the assumptions, parameters and methods used to prepare such historical estimate. The historical estimate has been prepared in accordance with the requirements of the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia ("JORC") and does not comply with or fulfill the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by the Canadian Institute of Mining, Metallurgy and Petroleum as required by NI 43-101, and may vary significantly from actual amounts, grade and quality of minerals recovered from the property. There are no other recent estimates or data available to SRHI as of the date of this MD&A and a detailed study of the current technical data and economic parameters relating to the property, together with the preparation of an updated development plan, is being prepared by MTV in order to update these historical estimates as a current mineral resource or mineral reserve. A qualified person has not done sufficient work to classify the historical estimates as current mineral resources or current mineral reserves and SRHI is not treating the historical estimate as current mineral resources. Investors are cautioned not to place undue reliance on the historical estimates contained in this MD&A.

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

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

NON-IFRS FINANCIAL MEASURES

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

ADVISORY

Forward-Looking Information

Certain statements in this MD&A, and in particular the "Business Strategy and Outlook" section, contain forward-looking information (collectively referred to herein as the "Forward-Looking Statements") within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify Forward-Looking Statements. In particular, but without limiting the forgoing, this MD&A contains Forward-Looking Statements pertaining to: (i) expectations with respect to SRHI's transition to a diversified holding company and its focus on owning majority positions in businesses in the natural resource industry; (ii) the belief that it will take SRHI less than 12 months to make the transition from a private equity firm to a diversified holding company; (iii) expectations regarding determination of the fair values of the assets and liabilities acquired within 12 months of the Acquisition Date; (iv) the six objectives of SRHI, the strategies it is undertaking to accomplish such objectives and the anticipated benefits from such objectives; (v) continued support of existing investments and/or pursuit of new accretive investment opportunities; (vi) expectations regarding the copper market, including supply, demand, pricing and value drivers; (vii) expectations regarding MTV, including the provision of technical reports; (viii) the belief that InPlay Oil is well positioned for an eventual recovery in energy prices; (ix) expectations with respect to commodity sector recoveries, price volatility and long term fundamentals; (x) monetization of investments; (xi) future investment in public companies; (xii) value drivers; (xiii) expectations regarding consumer demand for natural and organic proteins; (xiv) expectations regarding cattle and beef prices; (xv) continued examination by Beretta Farms of additional opportunities to raise gross margins, reduce costs and Beretta Farms' continued alignment of its cattle operations and the expected impact of such alignment; and (xvi) expectations regarding the Company's continued financial position, including that it will not have finance expenses in 2017.

Although SRHI believes that the Forward-Looking Statements are reasonable, they are not guarantees of future results, performance or achievements. A number of factors or assumptions have been used to develop the Forward-Looking Statements, including: (i) energy markets and the price of oil, natural gas liquids and natural gas in the future; (ii) the continued availability of quality management; (iii) the effects of regulation and tax laws of governmental agencies will not materially change; and (iv) those estimates listed herein under the heading "Critical Accounting Estimates and Judgments". Actual results, performance or achievements could vary materially from those expressed or implied by the Forward-Looking Statements should assumptions underlying the Forward-Looking Statements prove incorrect or should one or more risks or other factors materialize, including: (i) general economic, market and business conditions; (ii) market volatility that would affect the ability to enter or exit investments; (iii) commodity price fluctuations and uncertainties; (iv) risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of estimates and projections relating to reserves, production, costs and expenses, and health, safety and environmental risks); (v) risks associated with the mining industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of estimates and projections relating to reserves, production, costs and expenses, and health, safety and environmental risks); (vi) risks associated with investments in emerging markets; (vii) risks associated with the food manufacturing and retail business in general (e.g., a rise in the cost of inputs, a drop in pricing and/or sales volumes, food safety); (viii) the uncertainty of reserves and resources; (ix) changes in environmental and other regulations; (x) those risks disclosed herein under the heading "Risk Management"; and (x) those risks disclosed under the heading "Risk Management" in SRHI's Management's Discussion and Analysis for the three-months ended March 31, 2017. The Forward-Looking Statements speak only as of the date hereof, unless otherwise specifically noted, and SRHI does not assume any obligation to publicly update any Forward-Looking Statements, whether as a result of new information, future events or otherwise, except as may be expressly required by applicable Canadian securities laws.

ABBREVIATIONS

\$	Canadian dollars
\$000s	thousands of Canadian dollars

DEFINED TERMS

- **"Acquisition Date"** means February 9, 2017.
- **"ADI"** means Adriana Resources Inc.
- **"ADM"** means ADI Mining Ltd.
- **"Appraisal"** means the independent market appraisal of Union Agriculture's land holdings.

- **"Appraiser"** means the international valuation firm who conducted the Appraisal.
- **"Arrangement"** means the plan of arrangement involving ADI and SRC.
- **"Beneficiary"** means an employee or director of the Company who is a member of the employee profit sharing plan ("EPSP").
- **"Beretta Farms"** means Beretta Farms Inc., a Toronto, Canada private based vertically integrated food business focused on natural and organic beef, chicken and other products to retail and home delivery consumers. Formerly One Earth Farms Corp.
- **"Board"** means board of directors of the Company.
- **"CAD"** means Canadian dollar(s).
- **"Cancelled MSA"** means the second amended and restated MSA between SRC and SCLP which was cancelled effective February 9, 2017.
- **"CPM"** means Canadian Premium Meats Inc.
- **"Company"** means Sprott Resource Holdings Inc. and its subsidiaries and affiliates.
- **"Corsa Coal"** means Corsa Coal Corp., a Canadian public company in the business of mining, processing and selling metallurgical and thermal coal, as well as actively exploring, acquiring and developing resource properties that are consistent with its existing coal business.
- **"Diamond Willow "** means Diamond Willow Organics (2012) Ltd.
- **"Discount to NAV"** means the discount between the Company's NAV per share and the Company's closing stock price on the period-end date.
- **"EOR"** means enhanced oil recovery.
- **"E&P"** means a company in the business of providing exploration and production services.
- **"ENAMI"** means Empresa Nacional De Minería, a Chilean state owned enterprise.
- **"EPSP"** means the employee profit sharing plan of the Company.
- **"EV"** means electric vehicle.
- **"Exchange Ratio"** means 3.0 ADI common shares per common share of SRC.
- **"EU"** means the European Union.
- **"Facility"** means the credit facility the Company had in place with Sprott Resource Lending Corp.
- **"Financial Statements"** means the Company's unaudited condensed interim consolidated financial statements for the nine-months ended September 30, 2017 and 2016, including the notes thereon.
- **"G&A"** means general and administrative expenses.
- **"Heritage Angus"** means Prairie Heritage Producers.
- **"IASB"** means International Accounting Standards Board.
- **"ICD"** means Independence Contract Drilling, Inc., a U.S. oil services company specializing in the manufacture and operation of oil and natural gas drilling rigs, which became a public company effective August 8, 2014.
- **"IFRS"** means International Financial Reporting Standards.
- **"InPlay Oil"** means InPlay Oil Corp., a growth-oriented, light oil development and production company focused on large oil in place pools with low recovery factors, low declines and long life reserves primarily targeting the Cardium Formation in Alberta, Canada.

- **"Investments"** means the investments held by the Company.
- **"Investment Company Act"** means *Investment Company Act of 1940*.
- **"LOM"** means Lac Otelnuik Mining Ltd.
- **"Long Run"** means Long Run Exploration Ltd.
- **"Management Services Fee"** means management and administrative services provided by SCLP to SRHI under the MSA
- **"MD&A"** means the Company's management's discussion and analysis.
- **"MSA"** means the amended and restated Management Services Agreement between SRHI and SCLP.
- **"MTV"** means S.C. Minera Tres Valles.
- **"Managing Partner"** means Sprott Resource Consulting Limited Partnership, an affiliate of SCLP.
- **"Maturity Date"** means November 11, 2016 which is the date that the Facility matures.
- **"NAV"** means net asset value.
- **"NAV per share"** means the Company's NAV divided by the number of the Company's common shares that are issued and outstanding.
- **"Net Cash"** means cash and cash equivalents less total liabilities.
- **"NI 43-101"** means National Instrument 43-101 - Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators
- **"OEOG"** means One Earth Oil & Gas Inc.
- **"Offered Units"** means the units offered in relation to the marketed offering which closed on April 18, 2017.
- **"Offering"** means the marketed offering which closed on April 18, 2017.
- **"Old PA"** means the second amended and restated partnership agreement which was replaced effective February 9, 2017 with the Partnership Agreement.
- **"Option Plan"** means the the Company's stock option plan.
- **"Partnership Agreement"** means the third amended and restated partnership agreement between SRC and the Managing Partner.
- **"PHP"** means Prairie Heritage Producers.
- **"Plan"** means the EPSP.
- **"Potash Ridge"** means Potash Ridge Corp.
- **"Profit Distribution"** means an amount agreed to be paid under the Partnership Agreement to an affiliate of SCLP equal to 20% of: (a) the pre-tax profits of SRC for the year minus (b) the average quarterly Net Asset Value of SRC for the year multiplied by the percentage return of the Index.
- **"Quarterly Net Asset Value"** means the average of the Net Asset Value of the Partnership as at the end of such fiscal quarter and the Net Asset Value of the Partnership as at the end of the immediately preceding fiscal quarter.
- **"RII"** means R.I.I. North America Inc., a privately held Calgary-based upstream oil company that owns the North American intellectual property rights for the patented Solvent Thermal Resource Innovations Process EOR technology.
- **"SCLP"** means Sprott Consulting Limited Partnership, the management company of SRC which provides active management, consulting and administrative services.
- **"SCP"** means Sprott Capital Partners, an affiliate of SCLP.
- **"SEDAR"** means System for Electronic Document Analysis and Retrieval.
- **"SERNAGEOMIN"** means National Geology and Mining Service
- **"Sprott"** means Sprott Inc., and its subsidiaries and affiliates.
- **"Sprott Global"** means Sprott Global Resource Investments Ltd., an affiliate of SCLP.

- **"SRC"** means Sprott Resource Corp. and its subsidiaries and affiliates.
- **"SRC Shareholders"** means the holders of common shares of Sprott Resource Corp.
- **"SRH Chile"** means SRH Chile SpA
- **"SRHI"** means Sprott Resource Holdings Inc. and its subsidiaries and affiliates.
- **"SRP"** means Sprott Resource Partnership.
- **"tpd"** means tonnes per day.
- **"Transaction"** means the investment by (i) Sprott of \$10 million in ADI common shares at a price of \$0.233 per share and (ii) a fund managed by a subsidiary of Sprott, together with Term Oil Inc., for \$5 million in Units.
- **"Trust"** means the Company's equity incentive plan (also see EPSP and Plan).
- **"TSX"** means the Toronto Stock Exchange.
- **"Union Agriculture"** means Union Agriculture Group, a diverse agribusiness firm that owns and manages farmland in Uruguay.
- **"Unit"** means the security comprised of one ADI common share and one Warrant priced at \$0.25 per unit.
- **"USD"** means United States dollar(s).
- **"Valuator"** means independent external valuator.
- **"VG"** means the Vecchiola Group.
- **"Virginia Energy"** means Virginia Energy Resources Inc.
- **"Warrant"** means four quarter warrants received by ADI shareholders in respect of each ADI share held, with each whole warrant having a five-year term and a strike price of \$0.333 per share.
- **"Working Capital"** means cash and cash equivalents together with its trade and other receivables less its total liabilities.

ADDITIONAL INFORMATION

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