SRHI Inc.

Condensed Interim Consolidated Financial Statements
First Quarter Ended March 31, 2021
(Unaudited - Expressed in United States dollars)

SRHI Inc.
Condensed Interim Consolidated Statements of Financial Position
As at March 31, 2021 and December 31, 2020
Unaudited - Amounts expressed in thousands of United States dollars except per share amounts and number of outstanding shares

	Note	**Mar. 31, 2021**	Dec. 31, 2020
ASSETS			
Cash and cash equivalents		**$ 4,673**	$ 11,961
Trade and other receivables		**1,257**	1,020
Inventories	4	**11,405**	8,426
Prepaids and other current assets		**2,907**	3,647
Portfolio investments		**2,118**	2,145
Total current assets		**22,360**	27,199
Non-current portion of inventory	4	**23,585**	20,530
Mineral properties, plant and equipment	6	**61,454**	60,046
Exploration and evaluation asset		**1,086**	1,046
Intangible assets		**1,360**	1,427
Other		**118**	126
		87,603	83,175
Total assets		**$ 109,963**	$ 110,374
LIABILITIES			
Accounts payable and accrued liabilities	7	**$ 10,907**	$ 9,860
Deferred revenue		**—**	1,585
Current portion of loans and borrowings	8	**4,505**	627
Total current liabilities		**15,412**	12,072
Loans and borrowings	8	**62,491**	65,623
Reclamation and other closure provisions		**5,551**	5,572
Other non-current liabilities		**2,426**	2,459
		70,468	73,654
Total liabilities		**85,880**	85,726
SHAREHOLDERS' EQUITY			
Capital stock	9b	**303,990**	303,990
Common share purchase warrants	9c	**6,026**	6,026
Treasury stock	9e	**(101)**	(101)
Contributed surplus		**1,936**	1,908
Deficit		**(247,630)**	(247,368)
Accumulated other comprehensive loss		**(37,724)**	(37,786)
Total equity attributable to owners of the Company		**26,497**	26,669
Non-controlling interest		**(2,414)**	(2,021)
		24,083	24,648
Total liabilities and shareholders' equity		**$ 109,963**	$ 110,374

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Approved by the Board of Directors

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

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

SRHI Inc.
Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
For the three months ended March 31, 2021 and 2020
Unaudited - Amounts expressed in thousands of United States dollars except per share amounts and number of outstanding shares

			Three Months Ended		
	Note		**Mar. 31, 2021**		Mar. 31, 2020
Revenue	10	**$**	**7,000**	$	7,147
Cost of sales	11		**(4,859)**		(14,129)
Gross profit (loss)			**2,141**		(6,982)
Expenses					
General and administrative expenses			**956**		1,239
(Gain) loss on portfolio investments			**(107)**		2,332
Finance expenses, net			**2,212**		1,578
Other income, net	12		**(265)**		(4,183)
Impairment of non-current assets	13		**—**		7,628
Net loss from continuing operations			**(655)**		(15,576)
Net loss from discontinued operations	5		**—**		(2,241)
Net loss for the period		**$**	**(655)**	$	(17,817)
Net loss from continuing operations attributable to:					
Owners of the Company		**$**	**(262)**	$	(11,394)
Non-controlling interests			**(393)**		(4,182)
Net loss from continuing operations		**$**	**(655)**	$	(15,576)
Net loss attributable to:					
Owners of the Company		**$**	**(262)**	$	(12,509)
Non-controlling interests			**(393)**		(5,308)
Net loss for the period		**$**	**(655)**	$	(17,817)
Net loss from continuing operations per share		**$**	**(0.02)**	$	(0.46)
Net loss from discontinued operations per share		**$**	**—**	$	(0.07)
Basic and fully diluted net loss per share		**$**	**(0.02)**	$	(0.53)
Weighted average number of shares outstanding during the period					
Basic and fully diluted			**33,789,980**		34,046,927
Net loss for the period		**$**	**(655)**	$	(17,817)
Other comprehensive income (loss)					
Items that may be reclassified subsequently to net loss:					
Foreign currency translation differences			**62**		(1,762)
Total comprehensive loss		**$**	**(593)**	$	(19,579)
Comprehensive loss attributable to:					
Owners of the Company		**$**	**(200)**	$	(14,089)
Non-controlling interests			**(393)**		(5,490)
Total comprehensive loss		**$**	**(593)**	$	(19,579)

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

Unaudited - Amounts expressed in thousands of United States dollars

	Capital Stock	Common Share Purchase Warrants	Treasury Stock	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total	Non-controlling interest	Total Equity
Balance - January 1, 2020	$ 303,990	$ 6,026	$ (74)	$ 1,849	$ (227,161)	$ (37,321)	$ 47,309	$ 9,412	$ 56,721
Net loss for the period	—	—	—	—	(12,509)	—	(12,509)	(5,308)	(17,817)
Foreign currency translation differences	—	—	—	—	—	(1,580)	(1,580)	(182)	(1,762)
Stock-based compensation	—	—	—	22	—	—	22	—	22
Balance - March 31, 2020	**$ 303,990**	**$ 6,026**	**$ (74)**	**$ 1,871**	**$ (239,670)**	**$ (38,901)**	**$ 33,242**	**$ 3,922**	**$ 37,164**
Balance - April 1, 2020	$ 303,990	$ 6,026	$ (74)	$ 1,871	$ (239,670)	$ (38,901)	$ 33,242	$ 3,922	$ 37,164
Net loss for the period	—	—	—	—	(7,629)	—	(7,629)	(4,882)	(12,511)
Foreign currency translation differences	—	—	—	—	—	1,115	1,115	12	1,127
Change in other reserve	—	—	—	20	—	—	20	—	20
Decrease in NCI	—	—	—	—	—	—	—	(1,073)	(1,073)
Stock-based compensation	—	—	—	183	—	—	183	—	183
Shares acquired for equity incentive plan	—	—	(262)	—	—	—	(262)	—	(262)
Shares released on vesting of equity incentive plan	—	—	235	(166)	(69)	—	—	—	—
Balance - December 31, 2020	**$ 303,990**	**$ 6,026**	**$ (101)**	**$ 1,908**	**$ (247,368)**	**$ (37,786)**	**$ 26,669**	**$ (2,021)**	**$ 24,648**
Balance - January 1, 2021	$ 303,990	$ 6,026	$ (101)	$ 1,908	$ (247,368)	$ (37,786)	$ 26,669	$ (2,021)	$ 24,648
Net loss for the period	—	—	—	—	(262)	—	(262)	(393)	(655)
Foreign currency translation differences	—	—	—	—	—	62	62	—	62
Stock-based compensation	—	—	—	28	—	—	28	—	28
Balance - March 31, 2021	**$ 303,990**	**$ 6,026**	**$ (101)**	**$ 1,936**	**$ (247,630)**	**$ (37,724)**	**$ 26,497**	**$ (2,414)**	**$ 24,083**

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

SRHI Inc.
Condensed Interim Consolidated Statements of Cash Flows
For the three months ended March 31, 2021 and 2020
Unaudited - Amounts expressed in thousands of United States dollars

	Note	Three Months Ended Mar. 31, 2021	Mar. 31, 2020
Operating activities			
Net loss for the period		**$ (655)**	$ (17,817)
Items not affecting cash and other adjustments			
Loss from discontinued operations		**—**	2,241
Depreciation and amortization	11	**1,235**	1,964
Finance expense		**2,210**	1,572
(Gain) loss on portfolio investments		**(107)**	2,332
Foreign currency translation gain		**(407)**	(3,827)
Stock-based compensation		**28**	22
Write-down (reversal) of inventory	4 , 11	**(1,738)**	3,805
Impairment of non-current assets	13	**—**	7,628
Change in non-current asset and liabilities		**(24)**	(172)
Other		**167**	6
		709	(2,246)
Changes in non-cash operating working capital	16a	**(4,567)**	1,729
Cash used in operating activities of continuing operations		**(3,858)**	(517)
Cash flows from investing activities			
Additions to mineral properties, plant and equipment		**(2,800)**	(1,285)
Additions to exploration and evaluation assets		**(40)**	(249)
Net proceeds from sale of portfolio investment		**160**	—
Cash used in investing activities of continuing operations		**(2,680)**	(1,534)
Cash flows from financing activities			
Loans and borrowings paid		**(146)**	(246)
Interest paid	16b	**(649)**	(110)
Cash used in financing activities of continuing operations		**(795)**	(356)
Decrease in cash and cash equivalents from continuing operations		**(7,333)**	(2,407)
Impact of foreign exchange on cash balances		**45**	265
Cash and cash equivalents of continuing operations - Beginning of period		**11,961**	11,607
Cash and cash equivalents from continuing operations - End of period		**$ 4,673**	$ 9,465
Supplementary Cash Flow Information	16		

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

1. Corporate Information

SRHI Inc. (together with its subsidiaries, "**SRHI**" or the "**Company**") was incorporated under the laws of British Columbia and continued under the *Canada Business Corporations Act* ("**CBCA**"). SRHI is a publicly-listed company currently focused on expanding Minera Tres Valles SpA's ("**MTV**") copper mining operation in Chile.

The Company's principal operating business is its 70% equity interest in the Chilean producing copper mine MTV. MTV's main asset is the Minera Tres Valles mining project, in the Province of Choapa, Chile which includes fully integrated processing operations and its two active main mines. The major active ore extraction operations include the Don Gabriel open pit mine ("**Don Gabriel**") and the Papomono underground mine ("**Papomono**"). The first copper cathodes shipment took place in January 2011.

As of April 27, 2021, the Company is listed on the TSX Venture Exchange ("**TSXV**") and trades under the symbol "SRHI" (see Note 21**).**

The Company's head office is located at 18 King St. East, Suite 902, Toronto, Ontario, Canada, M5C 1C4.

These Financial Statements (as defined below) were approved for issue by the Board of Directors (the "**Board**") on May 12, 2021.

2. Accounting Policies and Going Concern

a. Basis of Preparation and Going Concern

These unaudited condensed interim consolidated financial statements ("**Financial Statements**") of the Company have been prepared on a going concern basis in accordance with International Financial Reporting Standards 34 - Interim Financial Reporting, and accordingly, assumes that the Company will be able to continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business as they come due. They do not contain all information and disclosures required for complete financial statements in accordance with the International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**"). Therefore, they should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2020.

The Company is subject to numerous risk factors that may impact its ability to economically produce copper cathodes at MTV, such as, but not limited to, current volatile market conditions and extended and unforeseen issues resulting from the current COVID-19 pandemic. The Company has incurred significant operating losses and negative cash flows from operations in recent years and has an accumulated deficit of $248 million. Although it has working capital of $6.9 million, the Company may require further financing to meet its financial obligations, sustain its operations and ongoing capital projects in the normal course, secure the 30% non-controlling interest of MTV and expand its inventory of reserves and resources.

The Company's ability to meet its long-term business strategy depends on its ability to obtain additional financing and to generate operational cash flow from its commercial revenues. On April 16, 2021, the Company was successful in obtaining external financing (see Note 21) and management is of the opinion that additional working capital may be required from external financing to meet the Company's liabilities and commitments as they become due and to execute its business strategy, although there is no assurance that additional financing will be available on a timely basis or on terms acceptable to the Company. These circumstances result in material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern, and the ultimate appropriateness of the use of accounting principles applicable to a going concern. These Financial Statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used, that would be necessary if the Company were unable to achieve profitable operations or to obtain adequate financing. These adjustments could be material.

The Company's presentation currency is the United States (“**USD**”) dollar. Reference herein of $ or USD is to USD dollars, CAD is to Canadian dollars and CLP refers to the Chilean peso.

These Financial Statements have been prepared on a historical cost basis except for financial assets valued at fair value through profit or loss ("**FVTPL**") which is measured at fair value.

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

Certain comparative figures have been reclassified to conform to the current period's presentation.

b. Recently adopted accounting standard

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9 (Financial Instruments), IAS 39 (Financial Instruments: Recognition and Measurement), IFRS 7 (Financial Instruments: Disclosures), IFRS 4 (Insurance Contracts) and IFRS 16 (Leases)):

In August 2020, the IASB issued Interest Rate Benchmark Reform - Phase 2, which amends IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments complement those issued in September 2019 and focus on the effects on financial statement when a company replaces a previous interest rate benchmark with an alternative benchmark as a result of Interbank Offered Rates (IBOR) reform. The Phase 2 amendments are effective for the Company's fiscal year commencing January 1, 2021, and we adopted the amendments as of such date. As of March 31, 2021, applicable interest rate benchmarks in the Company's agreement have not been replaced. As a result, the adoption of the Phase 2 amendments had no impact on the first quarter ended March 31, 2021 Financial Statements. We will continue to monitor the relevant developments and will evaluate the impact of the Phase 2 amendments on our consolidated Financial Statements as IBOR reform progresses.

3. Significant Judgments, Estimates and Assumptions

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

In preparing these Financial Statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2020.

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

a. COVID-19 Uncertainty

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. The past, current and future impacts on the global economy have, and are anticipated to be far-reaching. To date there have been significant stock market declines, recoveries and volatility, significant volatility in commodity and foreign exchange markets, restrictions on the conduct of business in many jurisdictions and the global movement of people and some goods have become restricted. There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on global financial markets are placing further volatility on copper prices.

The Company has made efforts to safeguard the health of its employees, while continuing to operate safely and responsibly maintain employment and economic activity. These measures combined with a supportive copper price resulting from COVID-19 and long-term market support affected the Company's financial results. For the three months ended March 31, 2021, MTV recorded a reversal of a previous write-down of inventory of $1.7 million with additional write-downs of inventory or reversals of previous write-downs taken that may occur in future reporting periods. In the current environment, assumptions about future copper prices, exchange rates, interest rates and market transactions are subject to greater variability than normal, which could in the future significantly affect the valuation of the Company's assets. As an understanding of the longer-term impacts of COVID-19 on commodity, credit and equity markets develops, there is heightened potential for changes in these views in 2021.

There has been no significant disruption to production or copper cathode shipments. Operations were modified at MTV since the second quarter of 2020 to take into account the economic uncertainty through various initiatives to create a lower operating cost environment, maximize production from modified mine plans and minimize the risks to employees, communities and other stakeholders.

b. Mineral Reserve Estimates Including Life of Mine Plan

The Company estimates its recoverable reserves and resources based on information prepared by or under the supervision of qualified persons (as such term is defined in NI 43-101). Mineral reserves are used in the calculation of depreciation, impairment assessments and for forecasting the timing of payment of mine closure and rehabilitation costs. There are numerous uncertainties inherent in estimating mineral reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the estimation methodology, forecasted prices of commodities, exchange rates, production costs or recovery rates may change the economic status of mineral reserves and may, ultimately, result in changes in the mineral reserves.

The carrying amounts of the Company's mineral properties, plant and equipment are depleted based on recoverable mineral reserve tonnes processed, depending on the use of the asset. Changes to estimates of recoverable quantities of base metals, mineral reserve tonnes and depletable costs, including changes resulting from revisions to the Company's mine plans and changes in metals prices forecasts, can result in a change to future depreciation and depletion rates and may result in impairment charges.

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

c. Reclamation and Other Closure Provisions

The Company has obligations for reclamation and other closure activities related to its mineral properties. The future obligations for mine closure activities are estimated by the Company using mine closure plans or other similar studies which outline the requirements that will be carried out to meet the obligations. Because the obligations are dependent on the laws and regulations of the country in which the mine operates, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies. As the estimate of obligations is based on future expectations, a number of estimates and assumptions are made by management in the determination of closure provisions. The reclamation and other closure provisions are more uncertain the further into the future the mine closure activities are to be carried out.

The Company's policy for recording reclamation and other closure provisions is to establish provisions for future mine closure costs based on the present value of the future cash flows required to satisfy the obligations. This provision is updated as the estimate for future closure costs change. The amount of the present value of the provision is added to the cost of the related mineral assets and depreciated over the life of the mine. The provision is accreted to its future value over the life of mine through a charge to finance costs.

d. Work-in-process inventory/ Production costs

The Company's management makes estimates of the amount and the expected timing of recovery of recoverable pounds in work-in-process inventory, which is used in the determination of the cost of sales during the period. Changes in these estimates can result in a change in the carrying amount of inventories and cost of sales in future periods. The Company monitors the recovery of copper cathodes from the leach pads and may refine its estimate based on these results. Assumptions used in inventory valuation include type of ore tonnes mined, salt leach application, pounds of copper per tonne, metallurgy of the ore, expected recovery rate based on the type of ore placed on the leach pads, timing of recovery, and remaining costs of completion to bring inventory into copper cathodes, among others.

e. Impairment of non-current assets - MTV Cash-Generating Unit ("CGU")

The Company reviews the carrying amounts of non-current assets whenever events or changes in circumstances indicate that the carrying amounts may exceed the estimated recoverable amounts determined by reference to estimated future operating results and discounted future cash flows. An impairment loss is recognized when the carrying amount of those assets is no longer considered recoverable. Non-current assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. Determining the recoverable amount of the MTV CGU requires management to make estimates and assumptions with respect to recoverable reserves and resources, future commodity prices, future production and sales volume, future operating, capital and reclamation costs, discount rates and exchange rates. These estimates are subject to various risks and uncertainties which may ultimately influence the estimated recoverability of the carrying amounts of non-current assets.

The Company did not recognize an impairment charge or reversal of a previously recorded impairment charge of mineral properties, plant and equipment related to the MTV CGU during the three months ended March 31, 2021 (see Note 13).

4. Inventories

	As at	
	Mar. 31, 2021	Dec. 31, 2020
Supplies and consumables	**$ 1,099**	$ 638
Work in progress	**8,615**	5,643
Copper cathodes	**1,691**	2,145
	11,405	8,426
Non-current portion of inventory	**23,585**	20,530
	$ 34,990	$ 28,956

For the three months ended March 31, 2021, the Company recorded a reversal of a previous year's write-down of inventory of $1.7 million primarily related to changes in the expected copper price.

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

For the year ended December 31, 2020, the Company recorded a write-down of inventory, net of reversals of $4.3 million primarily related to (i) changes in the expected costs to completion of copper pounds in work-in-process inventory and (ii) changes in the expected copper price.

The write-down (reversal) of inventories has been presented in a separate component of cost of sales in the Condensed Consolidated Statements of Operations and Comprehensive Loss.

5. Asset Classified as Held for Sale

On June 30, 2020, Beretta Farms Inc. ("**Beretta**") completed the sale of its business for cash consideration of $3.7 million. Beretta's shareholders approved the dissolution of Beretta and the distribution of its net cash. The Company received a cash distribution of $1.0 million during 2020 and expects to receive a second and final cash distribution in the third quarter of 2021. As a result and effective June 30, 2020, Beretta was reclassified as a portfolio investment until it is dissolved and all net assets distributed to its shareholders. The amount expected to be received by SRHI is included in Portfolio investments on the Consolidated Statements of Financial Position.

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

	Three months ended	
	Mar. 31, 2021	Mar. 31, 2020
Revenue	**$ —**	$ 8,302
Expenses	**—**	(8,844)
	—	(542)
Write-down of asset held for sale	**—**	(1,699)
Net loss from discontinued operations	**—**	(2,241)
Net loss from discontinued operations attributable to non-controlling interests	**—**	1,125
Net loss from discontinued operations attributable to owners of the Company	**$ —**	$ (1,116)

At Beretta, cash used in operating activities for the three months ended March 31, 2021 was $nil (three months ended March 31, 2020 - $0.2 million), cash provided by investing activities for the three months ended March 31, 2021 was $nil (three months ended March 31, 2020 - $nil), and cash provided by financing activities for the three months ended March 31, 2021 was $nil (three months ended March 31, 2020 - $0.2 million).

6. Mineral Properties, Plant and Equipment

Cost	**Mineral properties**	**Land**	**Building and mining facilities**	**Machinery and equipment**	**Total**
As at January 1, 2020	$ 32,770	$ 665	$ 43,738	$ 16,323	**$ 93,496**
Additions	2,814	—	277	307	**3,398**
Foreign exchange impact	429	—	—	—	**429**
As at December 31, 2020	36,013	665	44,015	16,630	**97,323**
Additions (disposals)	2,853	—	(106)	(206)	**2,541**
Foreign exchange impact	(23)	—	—	—	**(23)**
As at March 31, 2021	**$ 38,843**	**$ 665**	**$ 43,909**	**$ 16,424**	**$ 99,841**

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

Cost		**Mineral properties**		**Land**		**Building and mining facilities**		**Machinery and equipment**		**Total**
As at January 1, 2020	$	(10,663)	$	—	$	(12,553)	$	(3,299)	**$**	**(26,515)**
Depreciation expense		(1,369)		—		(1,193)		(572)		**(3,134)**
Impairment		(2,945)		—		(3,725)		(958)		**(7,628)**
As at December 31, 2020		(14,977)		—		(17,471)		(4,829)		**(37,277)**
Depreciation expense		(453)		—		(447)		(210)		**(1,110)**
As at March 31, 2021	**$**	**(15,430)**	**$**	**—**	**$**	**(17,918)**	**$**	**(5,039)**	**$**	**(38,387)**
Net book value										
As at December 31, 2020	$	21,036	$	665	$	26,544	$	11,801	**$**	**60,046**
As at March 31, 2021	**$**	**23,413**	**$**	**665**	**$**	**25,991**	**$**	**11,385**	**$**	**61,454**

As of March 31, 2021, included in Mineral properties is $5.5 million (December 31, 2020: $5.7 million) of stripping assets and $0.2 million (December 31, 2020: $0.2 million) of reforestation assets.

7. Accounts Payable and Accrued Liabilities

	As at			
		Mar. 31, 2021		Dec. 31, 2020
Trade accounts payable	**$**	**6,909**	$	6,295
Accrued liabilities		**3,028**		2,725
Reforestation provision		**527**		535
Foundation provision		**443**		305
	$	**10,907**	$	9,860

As a result of the Judicial Reorganization Agreement ("**JRA**"), a significant portion of accounts payable and accrued liabilities were converted to long-term debt (See Note 8**).**

8. Loans and Borrowings

	As at			
		Mar. 31, 2021		Dec. 31, 2020
Secured prepayment facility (the "**Amended Facility**")	**$**	**44,974**	$	44,010
Unsecured Debt [1]		**21,506**		21,312
Leases		**516**		928
Total		**66,996**		66,250
Less: current portion		**4,505**		627
	$	**62,491**	$	65,623

[1] Included in Unsecured Debt is subordinated debt of $0.8 million (December 31, 2020 - $0.8 million) due to certain senior managers of MTV and subordinated debt of $6.1 million (December 31, 2020 - $6.0 million) due to Vecchiola S.A., a related party to the minority shareholder of MTV. All principal and interest associated with these amounts are subordinated to the JRA and Amended Facility.

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

On August 24, 2020, the Company announced that creditors of MTV approved the JRA with support from 100% of the Lenders and 93% of unsecured creditors (the "**Unsecured Creditors**"). As a result of the JRA, a significant portion of accounts payable and accrued liabilities at that date were converted to long-term debt (the "**Unsecured Debt**") and the terms of the secured prepayment facility (the **"Facility"**) were amended (the "**Amended Facility**").

The Amended Facility contains various operating and financial covenants. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the Amended Facility. As at March 31, 2021, MTV was not in compliance with one operating covenant related to its copper production that resulted in a review event (and not an event of default) as defined under the Amended Facility. The Lenders were notified in accordance with the requirements under the Amended Facility.

9. Equity

a) Authorized

Unlimited common shares with no par value.

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

b) Issued and outstanding

	Common shares (#)		Amount
Balance - December 31, 2020	**34,083,005**	**$**	**303,990**
Exercise of warrants	**37**		**—**
Balance - March 31, 2021	**34,083,042**	**$**	**303,990**

c) Common share purchase warrants

Common share purchase warrants outstanding were as follows:

	Warrants(#)		Amount
Balance - December 31, 2020	**201,138,300**	**$**	**6,026**
Exercise of warrants	(740)		—
Balance - March 31, 2021	**201,137,560**	**$**	**6,026**

All common share purchase warrants have an exchange ratio of 20 warrants for 1 common share and expire on February 9, 2022, with an equivalent exercise price of CAD$6.66 per common share. During the three months ended March 31, 2021, 740 common share purchase warrants were exercised.

d) Stock options

The number of stock options outstanding as at March 31, 2021 was 2.5 million (December 31, 2020: 2.4 million) at a weighted average exercise price of CAD$0.32 (December 31, 2020: CAD$0.31). The number of stock options vested as at March 31, 2021 was 1.2 million (December 31, 2020: 1.2 million).

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

	Stock options (#)	Weighted average exercise price (per unit), CAD
Balance - December 31, 2020	**2,400,000**	**$ 0.31**
Granted	100,000	0.65
Balance - March 31, 2021	**2,500,000**	**$ 0.32**

e) Treasury stock

	Common shares (#)	Amount
Unvested common shares held by the Trust, January 1, 2020	35,716	74
Acquired for equity incentive plan	1,195,798	262
Net released on vesting of equity incentive plan	(899,587)	(235)
Unvested common shares held by the Trust, December 31, 2020 and March 31, 2021	**331,927**	**$ 101**

10. Revenues

	Three months ended	
	Mar. 31, 2021	Mar. 31, 2020
Copper cathodes	**$ 6,942**	$ 6,724
Tolling	**58**	423
	$ 7,000	$ 7,147

Revenues from copper cathodes for the three months ended March 31, 2021 include $nil (three months ended March 31, 2020: $1.2 million) of pricing adjustments due to timing differences for settlement of sales.

Beginning in 2021, the tolling contract was converted to an ore purchase contract.

During 2020, MTV and the offtake provider (one of the Lenders) agreed to and executed an increase to the fixed price portion originally agreed to in the offtake agreement from 25% to 40%. MTV has currently contracted to sell 40% of its expected copper cathode production at $2.89 per pound from August 2020 to July 2022.

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

11. Cost of Sales

	Three months ended	
	Mar. 31, 2021	Mar. 31, 2020
Direct mining and plant costs	**$ 5,990**	$ 6,872
Write-down (reversal) of inventory	**(1,738)**	3,805
Salaries	**1,391**	1,778
Depreciation and amortization	**1,235**	1,964
Purchase of ore from third parties	**1,768**	717
Other	**48**	105
Change in inventory	**(3,835)**	(1,112)
	$ 4,859	$ 14,129

12. Other income, net

	Three months ended	
	Mar. 31, 2021	Mar. 31, 2020
Interest and other (loss) income	**$ (142)**	$ 356
Foreign currency translation gain	**407**	3,827
	$ 265	$ 4,183

13. Impairment of MTV CGU

During the three months ended March 31, 2020, management observed a reduction in the current and future outlook of copper prices, primarily triggered by the ongoing COVID-19 virus pandemic. The anticipated impact to the Company's cash flows resulted in a trigger for an impairment test.

The recoverable amount of the MTV CGU was based on a fair value less cost of disposal approach (Level 3) using a discounted cash flow model of an indicative life of mine model of 8 years adjusted for current market multiples of similar public companies. This discounted cash flow model was management's best estimate of the recoverable amount of MTV's net assets at March 31, 2020.

Management engaged an independent third-party to assist management in preparing an impairment test that concluded that the recoverable amount of the MTV CGU was lower than its carrying value as at March 31, 2020. As a result, management concluded that an impairment charge of $7.6 million was to be recorded as a reduction in the carrying value of MTV's assets to the consolidated statements of operations and comprehensive loss.

Management also engaged an independent third-party to assist management in preparing an impairment test that concluded the recoverable amount of the MTV CGU approximated its carrying value as at December 31, 2020. As a result, management concluded there was no further impairment charge or reversal of previous impairment charge of the MTV CGU.

There was no further impairment or reversal of a previous impairment of the MTV CGU during the three months ended March 31, 2021.

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

14. Contingencies and Commitments

Contractual obligations of the Company as at March 31, 2021 are as follows:

	1 year	1 - 3 years	More than 3 years	Total
Accounts payable and accrued liabilities [1]	$ 18,740	$ 281	$ —	$ 19,021
Amended Facility	3,966	31,734	11,900	47,600
Unsecured Debt under the JRA	713	5,702	19,190	25,605
Leases	468	73	107	648
Other liabilities	835	1,708	757	3,300
Reclamation and other closure provisions	—	—	5,503	5,503
As at March 31, 2021	**$ 24,722**	**$ 39,498**	**$ 37,457**	**$ 101,677**

[1] Included in Accounts payable and accrued liabilities are commitments to purchase (i) property, plant and equipment of $8.7 million and (ii) mining operating supplies of $0.3 million.

15. Operating Segments

The Company has two reportable segments. MTV is the Company's principal operating business. Corporate includes the Canadian corporate office which holds portfolio investments and, until June 29, 2020, an asset held for sale that reflects a 50.2% (2019 - 50.2%) interest in Beretta.

Significant information relating to reportable operating segments is summarized below:

As at March 31, 2021	**MTV**	**Corporate**	**Total**
Total assets	$ 105,152	$ 4,811	**$ 109,963**
Total liabilities	$ 85,400	$ 480	**$ 85,880**

As at December 31, 2020	MTV	Corporate	Total
Total assets	$ 98,804	$ 11,570	**$ 110,374**
Total liabilities	$ 85,106	$ 620	**$ 85,726**

Three Months Ended March 31, 2021	**MTV**	**Corporate**	**Total**
Revenue	$ 7,000	$ —	**$ 7,000**
Cost of sales	(4,859)	—	**(4,859)**
Gross profit	2,141	—	**2,141**
Expenses			
General and administrative expenses	547	409	**956**
Gain on portfolio investments	—	(107)	**(107)**
Finance expenses, net	2,212	—	**2,212**
Other income, net	(261)	(4)	**(265)**
Net loss for the period	$ (357)	$ (298)	**$ (655)**

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

Three Months Ended March 31, 2020	MTV	Corporate	Total
Revenue	$ 7,147	$ —	**$ 7,147**
Cost of sales	(14,129)	—	**(14,129)**
Gross loss	(6,982)	—	**(6,982)**
Expenses			
General and administrative expenses	763	476	**1,239**
Loss on portfolio investments	—	2,332	**2,332**
Finance expenses, net	1,578	—	**1,578**
Other income, net	(3,329)	(854)	**(4,183)**
Impairment of non-current assets	7,628	—	**7,628**
Net loss from continuing operations	(13,622)	(1,954)	**(15,576)**
Net loss from discontinued operations	—	(2,241)	**(2,241)**
Net loss for the period	$ (13,622)	$ (4,195)	**$ (17,817)**

For the three months ended March 31, 2021, 99% of the revenues ($6.9 million) was from one customer. For the three months ended March 31, 2020, 84% of the revenues ($6.0 million) was from one customer. As at March 31, 2021, there was $0.3 million (December 31, 2020: $0.2 million) outstanding in trade and other receivables.

16. Supplementary Cash Flow Information

a. Net Change in Non-Cash Operating Working Capital

	Three months ended	
	Mar. 31, 2021	Mar. 31, 2020
Net (increase) decrease in:		
Trade and other receivables	**$ (226)**	(209)
Inventories	**(4,310)**	(683)
Other current assets	**742**	62
Net increase (decrease) in:		
Accounts payable and accrued liabilities	**812**	2,787
Deferred revenue	**(1,585)**	(228)
Net change in non-cash operating working capital	**$ (4,567)**	$ 1,729

b. Interest paid on loans and borrowings

	Three months ended	
	Mar. 31, 2021	Mar. 31, 2020
Interest paid on loans and borrowings	**$ (649)**	$ (110)

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

17. Related Party Transactions

a) Purchases of Services

The Company entered into the following transactions with related parties during the three months ended March 31, 2021 and 2020. Transactions with related parties are recorded at the price agreed between the parties. Transactions in the normal course of business are measured at the monetary amount, which is the amount of consideration established, agreed to and paid by the related parties based on standard commercial terms.

(i) *Mine Contracting Services*

For the three months ended March 31, 2021, $nil was paid to Vecchiola S.A. (three months ended March 31, 2020: $5 thousand), a mining contractor. As at March 31, 2021, a balance of $8.1 million (December 31, 2020: $7.9 million) payable to Vecchiola S.A. remained outstanding as Unsecured Debt as a result of the JRA (See Note 8). Vecchiola S.A. is a related party to MTV through MTV's minority shareholder.

b) Key Management Compensation

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

	Three months ended	
	Mar. 31, 2021	Mar. 31, 2020
Compensation paid by and on behalf of SRHI for executive management services provided to the Company (including stock-based compensation)	**$ 82**	$ 65
Directors fees and stock-based compensation	**76**	88
	$ 158	$ 153

c) MTV Management Loan

In 2018 and 2019, certain senior managers of MTV entered into loan agreements with MTV. Effective December 16, 2019 all principal and interest was subordinated to the Facility and remained that way with the execution of the JRA and Amended Facility.

As of March 31, 2021, $0.8 million of principal and interest was outstanding. (December 31, 2020: $0.8 million)

18. Fair Value Estimation

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

The Company has provided fair market disclosure for its portfolio of investments by industry groups. The mining industry group consists of one mining company (2020 - two companies) that is in care and maintenance. The agricultural group consists of one company. The companies in the mining industry group share similar risk profiles and have therefore been grouped together in 2020.

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

As at March 31, 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments - mining	$ —	$ —	$ 1,988	**$ 1,988**
Investment - agriculture	—	—	130	**130**
	$ —	$ —	$ 2,118	**$ 2,118**

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

As at December 31, 2020	Level 1	Level 2	Level 3	**Total**
Investments - mining	$ 52	$ —	$ 1,964	**$ 2,016**
Investment - agriculture	—	—	129	**129**
Deferred revenue	—	1,585	—	**1,585**
	$ 52	$ 1,585	$ 2,093	**$ 3,730**

The Company's policy is to recognize transfers to and from fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There have been no transfers between levels during the three months ended March 31, 2021 and the year ended December 31, 2020.

The following presents the movement in Level 3 instruments for the three months ended March 31, 2021 and the year ended December 31, 2020:

	Mar. 31, 2021	Dec. 31, 2020
Opening balance	**$ 2,093**	$ 2,308
Recognition of Beretta as portfolio investment	**—**	1,100
Cash distribution from Beretta	**—**	(1,040)
Unrealized loss for the period	**—**	(382)
Foreign currency translation differences	**25**	107
Ending balance	**$ 2,118**	$ 2,093

The Company's Level 3 portfolio investment at March 31, 2021 consists of an investment in the mining sector and an investment in the agricultural sector.

19. Financial Risk Management

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

Market Risk

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

Interest Rate Risk

The Company's interest rate risk arises primarily from the interest received on cash and cash equivalents and any interest paid on floating rate borrowings.

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

Foreign Currency Risk

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

The Company incurs expenditures in CAD other than through its subsidiary, MTV, whose expenditures are in USD and CLP. The Company's exposure to foreign currency risk at March 31, 2021 arises primarily from those transactions carried out at MTV in CLP rather than USD and that have a direct effect on the operating results, such as wages. The Company does not engage in programs to mitigate its foreign currency exposure.

Commodity Price Risk

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

The Company is exposed to commodity price risk in respect of its revenues as all of its revenues are generated from the sale of copper cathodes. The price of this commodity is volatile and subject to fluctuations that may have a significant effect on the ability of the Company to meet its obligations, capital spending targets or commitments, and expected operational results which in turn impacts the cash flows of 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 and arises primarily from the Company's receivables from customers and its cash and cash equivalents deposited with financial institutions.

The Company invests cash and cash equivalents with financial institutions that are financially sound based on their credit rating with the majority of the Company's cash held through large Canadian and US financial institutions with credit ratings of AA or higher. The Company’s exposure to credit risk associated with accounts receivable is influenced mainly by the individual characteristics of each customer. The Company had one customer that represented 99% of revenue for the three months ended March 31, 2021 and which is considered low risk as it is a large public company with operations throughout the world. The Company has not incurred any credit losses during the three months ended March 31, 2021 nor does it have an allowance for expected credit losses.

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

Liquidity Risk

Liquidity risk is the risk associated with the difficulties that the Company may have meeting the obligations associated with financial liabilities that are settled with cash payments or with another financial asset. The Company manages liquidity risk by utilizing budgets and cash flow forecasts to assist the Company with maintaining sufficient cash to meet operating and capital obligations.

The Company monitors the expected settlement of financial assets and liabilities on an ongoing basis. A maturity analysis was performed for all financial liabilities in Note 14.

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

The Company may need to raise capital in order to further support MTV's operations including development of its mineral properties, securing the 30% non-controlling interest of MTV and general working capital purposes. MTV currently operates in a high-cost environment as it expands production. Working capital stresses exist at MTV and additional sources of capital may be required to execute MTV's planned operations in addition to the financing obtained on April 16, 2021 (See Note 21). Such financing, if sought, will depend on a number of unpredictable factors, which are often beyond the control of the Company and MTV. Raising capital may be adversely impacted by, amongst other factors: (i) a lack of normally available financing, (ii) volatile market conditions, (iii) extended and unforeseen issues resulting from the current COVID-19 pandemic, (iv) uncertain water supply in Chile and (v) geopolitical issues in Chile. To address its financing requirements, the Company may seek financing through joint venture agreements, debt and equity financings, asset sales, rights offerings to existing shareholders or restructuring MTV's debt and payment terms with critical suppliers. The outcome of these matters cannot be predicted at this time and there can be no assurance that capital will be available to the Company or MTV in the amount required at any particular time or for any particular period, or, if available, that such financing can be obtained on satisfactory terms. The Company and MTV are exposed to liquidity risk.

As a condition of the Amended Facility, the Company provided the Lenders with a $10 million guarantee that is reduced dollar for dollar as SRHI supports MTV with the new capital in accordance with the terms of the JRA. As at March 31, 2021, SRHI had supported MTV with $9 million of new capital resulting in $1 million remaining outstanding on the guarantee.

20. Capital Management

The Company defines capital as shareholders' equity (excluding accumulated other comprehensive income) and long-term debt. The Company's corporate office is responsible for capital management. The objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk.

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

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

Capital management strategies include continuously monitoring forecasted and actual cash flow from operating, financing and investing activities and opportunities to issue additional equity. In light of the volatile nature of commodity prices, including copper prices along with the effect of COVID-19, the preparation of financial forecasts and estimates are increasingly uncertain. Any of these events present risks that could affect the Company's ability to fund ongoing operations. The Company will also consider additional short-term financing or issuing equity in order to meet its future liabilities. If required, MTV may be forced to further curtail its operations and/or the Company to sell or liquidate MTV.

21. Subsequent Events

a. Closing of Bought Deal Offering and Full Exercise of Over-Allotment Option

On April 16, 2021, the Company announced it closed its previously announced bought deal financing (the "**Offering**") by which the Company issued a total of 20,930,000 units (the "**Units**") on a bought deal basis, at an offering price of CAD$0.55 per Unit, which included 2,730,000 Units issued pursuant to the exercise of the over-allotment option, in full, for gross proceeds of CAD$11.5 million. Each Unit consists of one Class A common share (a "**Common Share**") in the capital of the Company and one Common Share purchase warrant (a "**Warrant**"). Each Warrant entitles the holder thereof to purchase one Common Share at a price of CAD$0.70 for a period of 18 months following the closing of the Offering.

b. Listing on TSXV

On April 27, 2021, the Company began trading on the TSXV after voluntarily delisting its securities from the Toronto Stock Exchange.

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Stock Information

SRHI Inc. common shares are traded on the TSX Venture Exchange under the symbol "SRHI"

SRHI Inc. warrants are traded on the TSX Venture Exchange under the symbol "SRHI.WT"

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