



# Sprott Resource Holdings Inc.

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2019 Q1 Results Conference Call and MTV Update

May 9, 2019

**Sprott** | Resource  
Holdings

# Cautionary Statement Regarding Forward-Looking Information

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Certain statements in this presentation and in particular the “MTV 2019 Outlook”, “Key Milestones & Upcoming Catalysts” and “Summary” slides, or the accompanying oral remarks, including in response to questions, 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 foregoing, this presentation, contains Forward-Looking Statements pertaining to: the outlook for 2019 at MTV, including copper production, cash cost per pound produced and capital expenditures; key milestones and upcoming catalysts, including the expected benefits and timing thereof; continuing production ramp up at MTV with copper cathode production expected to reach scale in 2020; long-term fundamentals for copper; mineral resource and mineral reserve estimates; expectations regarding the Special Committee’s review; and statements concerning anticipated future events, results, circumstances, performance or expectations, that reflect management’s current expectations and are based on information currently available to the management of SRHI and its subsidiaries.

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: there being no significant disruptions affecting the development and operation of MTV; the availability of certain consumables and services and the prices for power and other key supplies being approximately consistent with assumptions in the Technical Studies; labour and materials costs being approximately consistent with assumptions in the Technical Studies; fixed operating costs being approximately consistent with assumptions in the Technical Studies; permitting and arrangements with stakeholders being consistent with current expectations as outlined in the Technical Studies; certain tax rates, including the allocation of certain tax attributes, being applicable to MTV; the availability of financing for MTV’s planned development activities; assumptions made in mineral resource and mineral reserve estimates and the financial analysis based on the mineral reserve estimate and in the case of the PEA, the mineral resource estimate, including (as applicable), but not limited to, geological interpretation, grades, commodity price assumptions, metallurgical performance, extraction and mining recovery rates, hydrological and hydrogeological assumptions, capital and operating cost estimates, and general marketing, political, business and economic conditions. 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) possible variations in grade or recovery rates; (ii) copper price fluctuations and uncertainties; (iii) delays in obtaining governmental approvals or financing; (iv) 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 mineral reserves, production, costs and expenses; and labour, health, safety and environmental risks) and risks associated with the other portfolio companies’ industries; (v) performance of the counterparty to the ENAMI Tolling Contract; (vi) risks associated with investments in emerging markets; (vii) general economic, market and business conditions; (viii) market volatility that would affect the ability to enter or exit investments; (ix) failure to secure financing in the future on terms acceptable to the Company, if at all; (x) commodity price fluctuations and uncertainties; (xi) those risks disclosed under the heading “Risk Management” in SRHI’s Management’s Discussion and Analysis for the three month period ended March 31, 2019; and (xii) those risks disclosed under the heading “Risk Factors” or incorporated by reference into SRHI’s Annual Information Form dated March 6, 2019. 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.

# Disclaimer

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## Qualified Persons

Scientific or technical information in this presentation relating to MTV is based on information prepared by Dr Antonio Luraschi, RM CMC, Manager of Metallurgic Development and Senior Financial Analyst, Wood; Mr Sergio Navarrete, RM CMC, Mining Engineer, Wood; Mr Alfonso Ovalle, RM CMC, Mining Engineer, Wood; Mr Michael G. Hester, FAusIMM, Vice President and Principal Mining Engineer, Independent Mining Consultants, Inc.; Mr Enrique Quiroga, RM CMC, Mining Engineer, Q&Q Ltda; Mr Gabriel Vera, RM CMC, Metallurgical Process Consultant, GVMetallurgy; and Mr Sergio Alvarado, RM CMC, Consultant Geologist, General Manager and Partner, Geoinvestment Sergio Alvarado Casas E.I.R.L., all of whom are independent “Qualified Persons” as such term is defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects. The Technical Report was filed by SRHI on SEDAR on December 14, 2018. Readers are encouraged to read the Technical Report in its entirety.

## Non-IFRS Financial Measures

"Cash costs", "Adjusted EBITDA" and "Working Capital" are non-IFRS financial performance measures. Further details on non-IFRS measures are provided in the MD&A accompanying SRHI financial statements filed from time-to-time on SEDAR at [www.sedar.com](http://www.sedar.com).

# Speakers

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## **Michael Harrison**

Interim President and Chief Executive Officer

## **Michael Staresinic**

Chief Financial Officer and Managing Director

# MTV Q1 2019 Production Results

Quarterly production statistics:

<b>Operating information Copper (MTV Operations)</b>	<b>Q1 2018 <sup>(1)</sup></b>	<b>Q2 2018</b>	<b>Q3 2018</b>	<b>Q4 2018</b>	<b>Q1 2019</b>
<b>Total Ore Mined (thousands of tonnes)</b>	137	158	254	235	264
<b>Total Waste Mined (thousands of tonnes)</b>	172	239	552	816	1,499
<b>Ore Processed (thousands of tonnes)</b>	212	218	313	298	311
<b>Grade (% Cu)</b>	0.96%	0.62%	0.74%	0.60%	0.61%
<b>Cu Production (tonnes)</b>	1,422	1,401	1,462	1,596	1,793
<b>Cu Production (thousands of pounds)</b>	3,135	3,089	3,224	3,518	3,953
<b>Cash Cost per Pound Produced <sup>(2)</sup></b>	\$2.43	\$2.59	\$2.07	\$2.27	\$2.27
<b>Realized Copper Price (USD per pound)</b>	\$3.14	\$3.12	\$2.61	\$2.76	\$2.81

1 - Operating information is for 3 months, however, for financial reporting purposes, SRHI acquired MTV effective February 1, 2018 and as a result reported financial results for the 2 months ending March 31, 2018.

2 - Cash Cost is a non-IFRS measure – Cash costs of production include all costs absorbed into inventory less non-cash items such as depreciation and non-site charges such as trucking charges capitalized to inventory. Cash costs per pound produced are calculate by dividing the aggregate of the applicable costs by copper pounds produced.

# MTV 2019 Outlook

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Outlook for 2019 at MTV is as follows:

<b>Operating information Copper (MTV Operations)</b>	<b>Year ended Dec. 31, 2019</b>	<b>3 months ended March 31, 2019</b>
<b>Cu Production (tonnes)</b>	8,250 – 8,750	1,793
<b>Cu Production (millions of pounds)</b>	18.2 – 19.3	4.0
<b>Cash Cost per Pound Produced <sup>(2)</sup></b>	\$2.20 – \$2.50	\$2.27
<b>Capital Expenditures (\$ millions)</b>	\$25 – \$30	\$2.3

(1) Guidance is based on certain estimates and assumptions, including but not limited to, mineral reserve estimates, grade and continuity of interpreted geological formations and metallurgical performance. Please refer to the technical report prepared by AMEC Foster Wheeler, a Wood company, in respect of the Project filed on December 14, 2018 (the “Technical Report”) and to the Company’s SEDAR filings for complete risk factors.

(2) Cash Cost is a non-IFRS measure – Cash costs of production include all costs absorbed into inventory less non-cash items such as depreciation and non-site charges such as trucking charges capitalized to inventory. Cash costs per pound produced are calculate by dividing the aggregate of the applicable costs by copper pounds produced.

# Key Milestones & Upcoming Catalysts

Key Milestones		Comment	Status / Timing
Corporate	Strengthen board and management	Expanded operational expertise	Complete
NI 43-101 Technical Reports	Consolidated Technical Report	Contracted Wood plc (formerly AMEC) to complete a NI 43-101 pre-feasibility study on the Papomono UG deposit and a PEA-level study on the ancillary deposits.	Complete – November 2018
Operations	Don Gabriel Expansion	Select and mobilize open pit mining contractors to triple ore production from Don Gabriel	Complete - Mining contractor mobilized in September 2018; Production from Don Gabriel doubled to 50,000 tonnes per month of ore
	Salt Leach Implementation	Modify acid leach to chloride oxidation and leach process to increase metallurgical recoveries by 10%	First application of salt expected in Q3 - ahead of schedule
	Papomono Masivo Incline Block Cave	Increase production from high-grade underground deposit	Commenced Detailed Engineering, selecting underground mining contractor; permitting under Letter Amendment regime
Financing	Secure Expansion Financing	Arrange long-term financing through combination of debt and off-take	Announcement in H2-2019
Exploration	Resource Expansion and Exploration program	Commence infill drilling in H2 2018 and a property wide program in 2019 Complete geophysics program at Papomono	In progress

# Balance Sheet and Liquidity Profile

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<b>\$US millions</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Cash and cash equivalents	\$10.2	\$13.5
Working capital <sup>(1)</sup>	\$16.0	\$19.5
Portfolio investments	\$21.5	\$19.5
Total assets	\$157.8	\$154.5
Total equity attributable to owners of the Company	\$83.9	\$85.6

(1) Measure not recognized by IFRS, see "Disclaimer – Non-IFRS Financial Measures".



# Income Statement – Three Months Ended

<b>\$US millions (except for per share amounts)</b>	<b>March 31, 2019</b>	<b>March 31, 2018</b>
Revenue <sup>(1)</sup>	\$8.6	\$6.0
Cost of Sales <sup>(1)</sup>	(10.2)	(5.7)
<b>Gross profit (loss)</b>	<b>(\$1.6)</b>	<b>\$0.3</b>
Expenses	2.7	1.9
Unrealized loss (gain) on portfolio investments	(1.7)	6.4
<b>Total expenses</b>	<b>1.0</b>	<b>8.3</b>
Net loss from continuing operations	(2.6)	(8.0)
Net loss from discontinued operations	(1.5)	(0.7)
<b>Net loss for the period</b>	<b>(\$4.1)</b>	<b>\$(8.7)</b>
Basic and diluted loss per share from continuing operations	(\$0.08)	\$(0.23)
<b>Adjusted EBITDA from continuing operations <sup>(2)</sup></b>	<b>(\$2.0)</b>	<b>(\$1.0)</b>

(1) Comparative figures are for the period from February 1, 2018 to March 31, 2018

(2) Measure not recognized by IFRS, see "Disclaimer – Non-IFRS Financial Measures".

# Summary

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- Continuing production ramp up at MTV with copper cathode production expected to reach scale in 2020
- Long-term fundamentals for copper remain highly attractive
- Updates on conclusions of special committee will be provided when available

# Contact Details

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