

# Sprott Resource Holdings Inc. Announces 2019 First Quarter Results

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(all amounts expressed in US dollars)

TORONTO, May 09, 2019 - [Sprott Resource Holdings Inc.](#) ("SRHI" or the "Company") today announced its financial results for the three months ended March 31, 2019. The Company's principal operating business is its 70% equity interest in the Chilean producing copper mine Minera Tres Valles ("MTV"). The Company's financial statements and management's discussion and analysis ("MD&A") are available at [www.sprottresource.com](#) and [www.sedar.com](#).

The Company today reported a quarterly net loss of \$4.1 million or \$(0.12) per share. This result includes a net loss from discontinued operations of \$1.5 million and an unrealized gain on portfolio investments of \$1.7 million. Adjusted EBITDA (see Non-IFRS Financial Measures) from continuing operations for the quarter was negative \$2.0 million or \$(0.06) per share. In the first quarter of 2018, the Company reported a net loss of \$8.7 million or \$(0.26) per share.

In the first quarter of 2019, cash used by operating activities was \$4.5 million (\$1.9 million before changes in non-cash components of working capital), as compared with the first quarter of 2018 when cash used by operating activities was \$4.1 million (cash provided of \$0.3 million before changes in non-cash components of working capital).

The decrease in net loss for the period was a result of increased copper cathodes produced. Cost per pound produced decreased to \$2.27 compared to \$2.43 for the comparable period of last year as the fixed cost component of MTV's operations was allocated across increased production. The gross loss for the three months ended March 31, 2019 of \$1.6 million is largely due to an increase in depreciation expense resulting primarily from pre-strip at the Don Gabriel open pit ("Don Gabriel").

"This year is important for MTV as we undertake projects to grow copper production to match our plant capacity of 40 million pounds of copper cathodes per year. Our operations team is focused on implementing the expansion as detailed in our filed Technical Reports," said Michael Harrison, Interim President and CEO of SRHI. "MTV management expects to commence the addition of salt to the crushed ore earlier than planned, improving production and project economics, and drawing down the copper in-process inventory."

"We increased crushing throughput this quarter, and we continue to ramp-up waste mining activity for future phases of the Don Gabriel open pit," continued Mr. Harrison. "Copper cathode production has steadily increased quarter-over-quarter and we look forward to seeing our operations team continue production growth and unit cost reductions in 2019."

First quarter highlights include:

- Increased quarterly production - Produced 4.0 million pounds of 99.99% pure copper cathodes at a cash cost of \$2.27 per pound of copper produced (see Non-IFRS Financial Measures) and sold 2.9 million pounds at an average sales price of \$2.81 per pound of copper.
- Quarterly revenue in line with expectations - Revenue of \$8.6 million generated from the sale of copper cathodes and tolling charges for mineralized material supplied by ENAMI continue to track expectations with over \$2 million of finished goods inventory at March 31, 2019.
- Increased waste and pre-stripping - 1.5 million tonnes moved, primarily for future phases of mining at the Don Gabriel.

- Total capital expenditures of \$2.3 million - primarily waste stripping at Don Gabriel
- Cash and cash equivalents of \$10.2 million included working capital of \$16.0 million

### Growth Initiatives

On November 2, 2018, the Company announced the results of a NI 43-101 technical report (the "Technical Report") by Wood plc detailing the basis for the Company's expansion plans of MTV.

Total material crushed in the first quarter increased to 311 thousand tonnes as a result of increased open pit operations, primarily from Don Gabriel, Cumbre and the newly opened Rajo Norte mine. This compares to 139 thousand tonnes in the prior year's two-month period.

Don Gabriel is the largest contributor of ore to MTV and the unit costs have decreased approximately 50% from early 2018, reducing the cutoff grade and increasing copper production. The Rajo Norte and Cumbre open pit mines are two of the ancillary deposits that contribute to copper production as shown in the PEA case of the Technical Report and demonstrates the flexibility in MTV's operations.

Ore production from the Papomono underground mine remained stable, extracting ore from resource blocks adjacent to the Papomono Massive deposit in advance of future block caving efforts. A large component of ore production growth in 2020 will come from the higher-grade Papomono Massive deposit. MTV plans to extract ore using the incline block caving method, which is expected to reduce unit-mining costs from current levels by approximately 50%. The Company and MTV have spent considerable time investigating and analyzing caving methods as part of trade-off analysis, using well-known global experts in caving.

Following our pre-feasibility level estimates in the Technical Report, detailed engineering is underway, and MTV is selecting the underground development contractor. Final approval for the required permits is expected in the third quarter of 2019 and once long-term financing is in place, MTV will start the development of access levels and draw points. Initial development is expected to take 10 months, prior to commencement of extraction. Over time, production from Papomono Massive is expected to ramp up to 2,000 tonnes per day, compared to the current production levels of 500 tonnes per day.

Mineralized material supplied by ENAMI and local miners increased in concert with higher copper prices. The processing of non-MTV mineralized material has good margins, utilizes excess capacity, requires no capital spend and benefits local community members.

The Salt Leach project at MTV involves adding rock salt (NaCl) in the agglomeration stage of the crushing plant and allowing the mixed sulphide and oxide material to rest on the heap 30 days before application of sulphuric acid. The oxidation of sulphide material in the heaps is expected to improve copper recoveries by 8%, reduce acid consumption, and decrease the leach time by 40%. These changes are expected to reduce cash costs and improve MTV's working capital. MTV is expected to commence adding salt in the third quarter while adding lined pumps to resist corrosion in the key equipment. The lined pumps are temporary and will be replaced by titanium pumps and valves that were subject to manufacturing delays subsequent to when the order was placed. Construction of additional cleaning tanks for the Salt Leach is on track and approximately 50% of the actual and committed expenditures for the Salt Leach remain. Despite the additional cost of the lined pumps, we expect the total cost of the Salt Leach project to be in line with the original pre-feasibility Technical Report estimate of \$7.1 million.

### Cash Position

Cash and cash equivalents decreased to \$10.2 million at March 31, 2019 from \$13.5 million at December 31, 2018 as the Company continues to support the operations at MTV that have resulted in an inventory build of \$4.1 million and capital expenditures of \$2.3 million in the quarter. The outstanding balance on MTV's \$15 million capacity revolving credit facility remained at \$14.3 million at March 31, 2019.

SRHI and MTV continue to advance discussions to secure long-term debt and offtake financing to fund the growth initiatives.

## Capital Expenditures

Capital expenditures for the three months ended March 31, 2019 were primarily pre-stripping waste rock at Don Gabriel in preparation of its new mining phases.

## Investment Portfolio Divestment

The Company continues to work on divestment strategies for the non-core assets. No dispositions have been made to date but management expects that some, if not all, of the non-core investments or businesses will be divested during the remainder of 2019.

## Operating and Financial Results Summary

The following operating and financial highlights are for the three months ended March 31, 2019 and two months ended March 31, 2018.

	Three months ended	Two months ended		
	Mar. 31, 2019	Mar. 31, 2018		
<i>Operating information</i>				
Copper (MTV Operations)				
Total ore mined (thousands of tonnes)	264	90		
Total waste mined (thousands of tonnes)	1,499	90		
Ore Processed (thousands of tonnes)	311	139		
Grade (% Cu)	0.61	% 0.91	%	
Cu Production (tonnes)	1,793	922		
Cu Production (thousands of pounds)	3,953	2,033		
Cash cost of copper produced <sup>1</sup> (USD per pound)	\$ 2.27	2.43		
Realized copper price (USD per pound)	\$ 2.81	3.14		

<sup>1</sup> See *Non-IFRS Performance Measures*

	Three months ended	
	Mar. 31, 2019	Mar. 31, 2018
<i>Financial information (in thousands)</i>		
Revenue <sup>1</sup>	\$ 8,608	\$ 5,963
Gross profit (loss) <sup>1</sup>	\$ (1,560)	\$ 254
Net loss from continuing operations	\$ (2,622)	\$ (7,971)
Net loss from discontinued operations <sup>1</sup>	\$ (1,517)	\$ (736)
Net loss for the period	\$ (4,139)	\$ (8,707)
Adjusted EBITDA from continuing operations <sup>2</sup>	\$ (1,959)	\$ (1,040)
Unrealized gain (loss) on portfolio investments	\$ 1,662	\$ (6,392)
Cash provided by (used in) operating activities before working capital changes	\$ (1,893)	\$ 340

<sup>1</sup> Comparative figures are for the period February 1, 2018 to March 31, 2018

<sup>2</sup> See *Non-IFRS Financial Measures*

## Outlook

Guidance for 2019 remains unchanged with copper production to accelerate in the second half of 2019 with the implementation of the Salt Leach and increased mining rates at Don Gabriel and other ancillary deposits.

Cash cost per pound produced was at the low end of the 2019 guidance and as copper production is expected to increase quarter-over-quarter, this unit cost is expected to reduce accordingly. Capital expenditures are in line with expectations and represent development costs, capitalized stripping costs and purchases of equipment. As the implementation of the Salt Leach is expected to be completed during the second quarter of 2019, the capital expenditure program will accelerate and continue into the second half of the year when the Papomono underground development and expansion is scheduled. Securing long-term growth capital will be necessary for the Papomono underground development and expansion.

	Full year 2019 Q1-2019	
Cu production (tonnes)	8,250 - 8,750	1,793
Cu production (millions of pounds)	18.2 - 19.3	4.0
Cash cost per pound produced <sup>1</sup>	\$2.20 - \$2.50	\$2.27
Capital expenditures (\$ millions)	\$25 - \$30	\$2.3

<sup>1</sup> See *Non-IFRS Performance Measures*

#### Conference Call and Webcast Details

SRHI will hold a conference call and webcast to review its results for the three months ended March 31, 2019 on Thursday, May 9, 2019 at 10:00am Toronto time. To listen to the call, please dial (855) 458.4215 ten minutes prior to the scheduled start of the call and provide conference ID:2488677. A taped replay of the conference call will be available until Thursday May 16, 2019 by calling (855) 859.2056. The conference call will be webcast at [www.sprottresource.com](http://www.sprottresource.com) and <https://edge.media-server.com/m6/p/cvgtk4ra>

#### Qualified Persons

Scientific or technical information in this press release 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.

#### Notes on Preliminary Economic Assessments

Please note that the PEA Case is preliminary in nature, that it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA Case will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

#### About MTV

MTV is a fully permitted operating mining complex located nine kilometers from Salamanca in Region IV of Chile. MTV comprises two main deposits: Papomono (underground) and Don Gabriel (open pit). The mine is currently operating and producing high grade copper cathode. The mine has significant infrastructure in place with a crushing and processing plant with nameplate capacity of 7,000 and 6,000 tonnes per day, respectively. The plant is designed to produce up to 18,500 tonnes per annum of copper cathodes. For more information about MTV, please visit <http://www.mineratresvalles.com>.

#### About Sprott Resource Holdings Inc.

SRHI acquires and grows a portfolio of cash-flowing businesses and businesses expected to cash flow in the

natural resource sector. Based in Toronto, SRHI is part of the Sprott Group of Companies and seeks to deploy capital to provide our investors with exposure to attractive commodities. For more information about SRHI, please visit [www.sprottresource.com](http://www.sprottresource.com).

#### 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).

#### Cautionary Statement Regarding Forward-Looking Information

Certain statements in this news release, contain forward-looking information (collectively referred to herein as the "Forward-Looking Statements") within the meaning of applicable Canadian 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 news release contains Forward-Looking Statements pertaining to: expectations regarding production growth; expectations regarding the MTV mine expansion, including the anticipated expansion methods, costs, timing and the benefits derived from the expansion; expectations regarding the construction, costs, timing and benefits of the Salt Leach; continued ramp up of waste mining activity; unit cost reductions; growth initiatives; future block caving efforts and the expected benefits therefrom; expectations regarding the timing of permit approvals; securing long-term debt and offtake financing to fund growth initiatives; expectations regarding the investment portfolio divestment; the Company's outlook, including its 2019 guidance for MTV; the capital expenditure program for MTV; mineral resource and mineral reserve estimates; the Technical Report; and general business and economic conditions.

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-months 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. See also the cautionary language under "Notes on Preliminary Economic Assessments" above. 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.

## Cautionary Note to United States Investors Concerning Estimates of measured, indicated and inferred mineral resources

This news release may use the terms "measured", "indicated" and "inferred" mineral resources. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission does not recognize them. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or other economic studies. United States investors are cautioned not to assume that all or any part of measured or indicated mineral resources will ever be converted into mineral reserves. United States investors are also cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable.

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