

Sprott Resource Holdings Inc. Reports 2019 Second Quarter Results

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TORONTO, Aug. 14, 2019 - (TSX: SRHI) - [Sprott Resource Holdings Inc.](#) ("SRHI" or the "Company") today announced its financial results for the three and six months ended June 30, 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.

"This was a capital intensive quarter for MTV at two of our growth projects. We were three months ahead of schedule for salt application, and early results match our expectations of faster and higher recovery rates," said Michael Harrison, Interim President and CEO of SRHI. "Our crushing throughput reached a new record as our expansion plan continues. This is an important year for MTV as we undertake projects to grow copper production to match our plant capacity of 40 million pounds of copper cathodes per year."

"Earlier today, we announced that MTV had signed an investment committee approved mandate letter with Anglo American Marketing Limited and our current lender, a fund under the investment management of Kimura Capital LLP, to provide \$45 million in funding for the expansion projects and to re-finance existing debt. SRHI had provided funding to successfully increase production from Don Gabriel, and build the infrastructure for the salt leach project," continued Michael Harrison.

"The proceeds of the loan will advance the underground development at Papomono Massive deposit, finalize the salt-leach project, and the remaining capital pre-strip at Don Gabriel, along with working capital and debt repayment. The addition of higher grade ore from Papomono, using lower-cost caving methods will increase production and is expected to materially reduce operating costs. We expect to have final detailed engineering from Ingeroc (Santiago) at the end of August, and we expect to mobilize the underground contractor in advance of closing the facility, which is expected early in the fourth quarter."

Highlights

<i>Operating information</i>	Three months ended		Six months ended		Five months ended	
	Jun. 30, 2019	Jun. 30, 2018	Jun. 30, 2019	Jun. 30, 2018	Jun. 30, 2018	
Copper (MTV Operations)						
Total ore mined (thousands of tonnes)	288	158	552		248	
Total waste mined (thousands of tonnes)	1,577	239	3,076		329	
Ore Processed (thousands of tonnes)	354	218	665		357	
Grade (% Cu)	0.62	% 0.62	% 0.62	% 0.73		%
Cu Production (tonnes)	1,737	1,401	3,530		2,323	
Cu Production (thousands of pounds)	3,829	3,089	7,783		5,121	
Cash cost of copper produced ¹ (USD per pound)	\$ 2.63	2.59	\$ 2.45		\$ 2.53	
Realized copper price (USD per pound)	\$ 2.70	3.12	\$ 2.75		\$ 3.13	

¹ See *Non-IFRS Performance Measures*

Early Commencement of Salt Application

The implementation of chloride leaching ("Salt Leach") involves adding rock salt (NaCl) in the agglomeration stage of the crushing plant allowing the mixed sulphide and oxide material to rest on the heap for 15 to 30 days before application of sulphuric acid. The oxidation of sulphide material in the heaps is expected to improve copper recoveries by approximately 8%, reduce acid consumption, and decrease the leach time by approximately 40%. These changes are expected to reduce cash costs and improve MTV's working capital position. The construction of the salt storage and dosing system to commence the Salt Leach was completed in June and MTV began adding salt at low levels near the end of the second quarter, nearly three months ahead of schedule. The current pumps and valves will be replaced by titanium pumps and valves in the fourth quarter and the salt concentration will be increased as the final Salt Leach infrastructure is completed. We expect the total cost of the Salt Leach project to be in line with the March 2018 pre-feasibility NI 43-101 technical report (the "Technical Report") estimate of \$7.1 million with approximately \$4 million incurred and the remaining amount committed as at June 30, 2019.

Solid quarterly production

MTV produced 3.8 million pounds of 99.99% pure copper cathodes at a cash cost of \$2.63 per pound of copper produced (see Non-IFRS Financial Measures) and sold 2.8 million pounds at an average sales price of \$2.70 per pound of copper in the quarter. MTV had over \$2.7 million of finished goods inventory at June 30, 2019.

Total material crushed in the first two quarters increased to 665 thousand tonnes as a result of increased open pit operations, primarily from Don Gabriel, Cumbre and the Rajo Norte open pit mines. This compares to 357 thousand tonnes in the prior year's five-month period.

Don Gabriel is the largest contributor of ore to MTV and starting in early 2018, with the mobilization of Vecchiola S.A., ore movement has increased to more than 90,000 tonnes per month, reducing unit costs at the mine and at the processing plant. 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 October 2018 Technical Report and demonstrates the flexibility in MTV's operations. A new mining contract was recently signed for the Rajo Norte open pit which will meaningfully reduce unit costs.

Ore production from the Papomono underground mine remained stable at approximately 500 tonnes per day, 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 ultimately increase underground production beyond 2,000 tonnes per day halving unit-mining costs. Detailed engineering, by Ingeroc (Santiago) is nearing completion with the expected delivery date of August 30, 2019. MTV has selected the underground contractor, and will commence mobilization shortly.

Cost per pound produced increased to \$2.63 for the three months ended June 30, 2019 compared to \$2.59 for the comparable period of last year. The increase in cost per pound is driven by an increase in the strip ratio as well as the cost and consumption of sulphuric acid. Sulphuric acid production in Chile was significantly lower with the major smelters in Chile undergoing retrofit to meet new emission standards. MTV entered into a yearly contract to ensure delivery from suppliers. We understand the smelters are back on line, and spot prices are trending downwards. For the six months ended June 30, 2019, cost per pound produced decreased to \$2.45 from \$2.53 from the comparable period of last year. The overall decrease in cost per pound is largely due to the increase in production in the current year.

Capital cost

The Company continued funding the expansion projects at MTV including \$4.5 million of capital expenditures primarily for waste stripping at Don Gabriel and costs for the Salt Leach project. 1.6 million tonnes of waste and pre-strip were moved in the quarter, compared to 0.2 million tonnes moved in the prior year's quarter illustrating MTV's execution of its mine expansion.

Capital expenditures year-to-date of \$6.8 million are in line with expectations and represent front-caving development costs, capitalized stripping costs, Salt Leach project costs and purchases of equipment.

With the Facility expected to close in the fourth quarter of this year, MTV's capital expenditure program will accelerate and continue through the end of the year and into 2020 when the Papomono underground development and expansion is scheduled to begin.

Financing

In August, SRHI and MTV entered into an investment committee approved mandate letter with Anglo American Market and a fund under the investment management of Kimura Capital LLP ("Kimura") to provide a US\$45 million secured purchase and offtake agreement ("Offtake") to be utilized for the expansion of the MTV copper project. The Facility will be used to repay \$5 million revolving credit facility managed by Kimura and to repay \$5 million of debt financing previously provided by the Anglo American completed comprehensive technical and legal diligence prior to the positive response from their respective

Key terms of the Facility and Offtake are as follows:

- \$45 million in principal available for 12 months
- 4 year term
- Interest rate of 3-month USD LIBOR plus
 - 8.00% per annum for up to 12 months depending on certain conditions
 - 6.25% per annum thereafter
- Repayable in 12 equal quarterly installments commencing the first month following the 12-month grace period
- Early repayment flexibility
- Copper price participation mechanism if the LME cash price monthly average is above \$6,600/mt
- The Lenders will have offtake rights to purchase up to 100% of the copper cathode production of MTV

The Facility and Offtake remains subject to satisfaction of customary conditions and completion of documentation. The Facility is expected to be completed early in the fourth quarter of 2019.

Health and safety

MTV completed a quarter without a Lost-Time Incident ("LTI"). In January 2019, an employee did suffer an LTI, and is expected to fully recover. The Company and MTV devote considerable time and effort to ensure that our workers and contractors return safely to their families after each shift. Our safety statistics are below country and peer averages, and MTV pro-actively engages in education and assessment to achieve a goal of zero lost-time incidents. MTV's Injury Frequency rate was 1.6 per million hours worked at the end of the second quarter.

Community and environment

MTV works with the local communities, and the MTV Foundation continued the funding of projects agreed by the Foundation board, which is largely composed of community representatives to help MTV understand the true needs of its neighbors, such as starting an eco-friendly cooperative at a local school. A significant portion of MTV's employee base is from the region with MTV recently receiving an award from the National Mining Society ("SONAMI") in the presence of Chile's Minister of Mining for MTV's contribution to the region and local miners. MTV's ore purchase program ensures support from local miners, buying ore from over 26 providers and supporting the development of over 300 small-scale miners through local mining unions. Furthermore, MTV promotes strong ties with authorities by offering site visits and frequently attending events. The Management Plan of the Raja de Manquehua Nature Sanctuary was finished and approved by the community last month, which forms an integral part of MTV's overall environmental management plan.

Financial Results

<i>Financial information (in thousands)</i>	Three months ended		Six
	Jun. 30, 2019	Jun. 30, 2018	Jun. 30, 2018
Revenue	\$ 8,078	\$ 9,810	\$ 16,888
Gross profit (loss)	\$ (3,103)	\$ 4	\$ (4,093)
Net loss from continuing operations	\$ (12,708)	\$ (6,965)	\$ (19,673)
Net loss from discontinued operations	\$ (537)	\$ (1,187)	\$ (2,724)
Net loss for the period	\$ (13,245)	\$ (8,152)	\$ (22,397)
Adjusted EBITDA from continuing operations ²	\$ (2,775)	\$ 298	\$ (4,472)
Loss on portfolio investments	\$ (6,821)	\$ (6,177)	\$ (12,998)
Cash provided by (used in) operating activities before working capital changes	\$ (2,713)	\$ 394	\$ (4,016)

¹ Comparative figures in the six months ended column are for the period February 1, 2018 to June 30, 2018

² See Non-IFRS Financial Measures

Operating and financial results summary

Revenues of \$8.1 million generated predominantly from the sale of copper cathodes and tolling charges for mineralized material supplied by ENAMI continue to track expectations with over \$2.7 million of finished goods inventory at June 30, 2019.

The Company reported a quarterly net loss of \$13.2 million or \$(0.39) per share. This result includes a net loss from discontinued operations of \$0.5 million and a loss on portfolio investments of \$6.8 million. Adjusted EBITDA (see Non-IFRS Financial Measures) from continuing operations for the quarter was negative \$2.8 million or \$(0.08) per share. In the second quarter of 2018, the Company reported a net loss of \$8.2 million or \$(0.24) per share.

In the first two quarters of 2019, the Company reported a net loss of \$17.4 million or \$(0.51) per share. This result includes net loss from discontinued operations of \$2.1 million and a loss on portfolio investments of \$5.2 million. Adjusted EBITDA (see Non-IFRS Financial Measures) from continuing operations for the quarter was negative \$4.7 million or \$(0.14) per share. In the first two quarters of 2018, the Company reported a net loss of \$16.9 million or \$(0.50) per share.

In the second quarter of 2019, cash used by operating activities was \$1.4 million (\$2.7 million before changes in non-cash components of working capital), as compared with the second quarter of 2018 when cash used by operating activities was \$6.3 million (cash provided of \$0.4 million before changes in non-cash components of working capital).

In the first two quarters of 2019, cash used by operating activities was \$5.9 million (\$4.6 million before changes in non-cash components of working capital), as compared with the first two quarters of 2018 when cash used by operating activities was \$10.4 million (cash provided of \$0.5 million before changes in non-cash components of working capital).

The net loss for the three months ended June 30, 2019 is primarily a result of (i) the loss reported from our portfolio investments and (ii) the timing difference between when mining costs are incurred and when mining revenue is recognized. As the operations at MTV continue to grow and expand, significant costs are incurred before the leaching process for the copper cathodes to be sold is completed. This timing difference can be upwards of one year.

The gross loss for the three months ended June 30, 2019 was \$3.1 million. In addition to the increase in costs in 2019 previously mentioned, the expansion of the project has also significantly increased depreciation expense resulting primarily from pre-strip at Don Gabriel.

Cash position

Cash and cash equivalents decreased to \$4.6 million at June 30, 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 \$8.0 million and capital expenditures of \$6.8 million during the six months ended June 30, 2019. MTV's \$15 million revolving credit facility was fully utilized at June 30, 2019.

As previously mentioned, the Facility is expected to provide MTV with net additional debt financing of \$25 million for its planned mine expansion. The majority of this Facility will be long-term in nature providing the necessary capital flexibility to MTV.

Investment portfolio divestment

The Company continues to work on its divestment strategies for the non-core assets. During the quarter, the Company began selling its holdings in both InPlay Oil and Virginia Energy. Management expects that some, if not all, of the non-core investments or businesses will be fully divested during the remainder of 2019.

Outlook and Growth Initiatives

Guidance for 2019 remains unchanged with copper production to accelerate in the second half of 2019 with the staged implementation of the Salt Leach and increased mining rates at Don Gabriel and Rajo Norte. Cash cost per pound produced was at the upper end of the 2019 guidance and as copper production is expected to increase quarter-over-quarter, and together with the expected efficiencies of the Salt Leach, this unit cost is expected to reduce accordingly. MTV has been funding the Don Gabriel production expansion and Salt Leach project from internal and Company financial resources. With the recent positive news regarding the Facility for MTV, the capital expenditure program will accelerate and continue through the fourth quarter of the year when the Papomono underground development and expansion is scheduled to

begin. Final results from detailed engineering by Ingeroc (Santiago) are expected at the end of August, and mobilization of the underground contractor is expected prior to the closing of the Facility.

	Full year 2019	Q2-2019 Actual Year-to-date
Cu production (tonnes)	8,250 - 8,750	3,530
Cu production (millions of pounds)	18.2 - 19.3	7.8
Cash cost per pound produced ¹	\$2.20 - \$2.50	\$2.45
Capital expenditures (\$ millions)	\$25 - \$30	\$6.8

¹ See Non-IFRS Performance Measures

Final approval for the required permits is expected in the third quarter of 2019 and once the Facility 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. Mineralized material supplied by ENAMI and local miners have increased in 2019 providing additional ore to the crusher given its current excess capacity. The processing of non-MTV mineralized material has good margins, utilizes excess capacity, requires no capital spend and benefits local community members.

The annual budget cycle has commenced and the forecast for production and costs together with operating results for 2019 are expected to be provided early in 2020.

Conference Call and Webcast Details

SRHI will hold a conference call and webcast to review its results for the three and six months ended June 30, 2019 on Wednesday, August 14, 2019 at 4:00pm 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:7466906. A taped replay of the conference call will be available until Wednesday, August 21, 2019 by calling (855) 859.2056. The conference call will be webcast at www.sprottresource.com and <https://edge.media-server.com/mmc/p/ua6zfr5e>

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 an operating mining complex located 300 kilometers northeast of Santiago, Chile in Region IV near the town of Salamanca. 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 LME Grade 99.999% 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.

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.

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 costs, timing and benefits of the Salt Leach; continued ramp up of waste mining activity; material reduction in operating costs; completion of engineering by Ingeroc; 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 from Anglo American and Kimura to fund growth initiatives on the terms and conditions provided above; 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 June 30, 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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