

SRHI Inc. Reports 2021 First Quarter Results

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TORONTO, May 13, 2021 - [SRHI Inc.](#) ("SRHI" or the "Company") (TSXV: SRHI) today announced its operating and financial results for the three months ended March 31, 2021. The Company is focused on growing copper production from, and further exploration of, its primary asset, Minera Tres Valles SpA ("MTV"). Located in Salamanca, Chile, MTV is 70% owned by the Company and MTV's main assets are the Minera Tres Valles mining complex and its 46,000 hectares of exploratory lands. The Company's financial statements and management's discussion and analysis ("MD&A") are available at www.srhi.ca and www.sedar.com.

Highlights

Corporate

- Successfully closed a bought deal offering ("Offering") including the full exercise of the over-allotment option totaling CAD\$11.5 million
- Transitioned listing and trading from the TSX to the TSXV

Operations

- Copper cathode production was 900 tonnes at an average grade of 0.57% compared to 1,484 tonnes at an average grade of 0.82% in Q1 2020 as the restart of the Don Gabriel open pit ("Don Gabriel") ramped up during Q1 2021
- Achieved cash cost per pound produced¹ of \$2.28 compared to annual guidance of \$2.60 to \$2.90
- Incurred capital expenditures of \$2.8 million related to the construction and development of the incline block caving mine at the Papomono Masivo deposit, consistent with annual guidance of \$12 - \$15 million - construction continues and is approximately 30% complete, remaining on schedule and on budget targeting commercial production by early 2022
- Successfully settled union strike without disruption leaving monthly wages unaffected in a new 3 year deal

Financial

- Reported first gross profit since June 2018 of \$2.1 million on realized copper price¹ of \$3.47 compared to \$2.25 in Q1 2020
- Adjusted EBITDA from continuing operations¹ of \$0.7 million compared to \$(1.8) million in Q1 2020
- Net loss per share attributable to owners of the Company of \$(0.01) compared to \$(0.37) in Q1 2020

Commenting on the results, Michael Staresinic, President and Chief Financial Officer of SRHI stated, "This past quarter, we devoted much of our time to reopening Don Gabriel after being in care and maintenance for nearly all of 2020. The ramp-up of operations started slower than expected and we experienced a higher proportion of waste to ore and lower grade than expected. As planned, we continued to operate well below capacity but with the supportive copper price, the Company reported its first gross profit in almost 3 years."

"The copper price move has been dramatic racing to all-time record highs in May. We continue to progress with the construction and development of Papomono Masivo as planned although the high copper price environment has created intense competition for skilled labor affecting contractors throughout Chile. Completion of the expenditures as currently planned will allow for production of this higher-grade deposit to commence in late 2021 and is expected to ultimately generate underground production in excess of 2,000 tonnes per day while significantly reducing unit-mining costs."

"Management together with operations and technical staff are assessing the developments at Don Gabriel and Papomono Masivo to determine if any adjustments may be required to our prior guidance for the remainder of 2021 and we will report our findings when complete."

"On April 16, we successfully completed a capital raise for gross proceeds of CAD\$11.5 million. This additional capital is earmarked primarily for two important functions. First, to provide the operation with working capital flexibility including any incremental costs to support Papomono Masivo should delays or complications arise, and, secondly, to initiate an exploration program around and between our two main deposits. With over 46,000 hectares available to explore and 170,000 meters of diamond drilling performed by previous owners, the first phase of the exploration program has commenced consisting of compiling the property's geological data to identify highly prospective exploration targets including the 100 outcrop copper occurrences identified. We hope this is just the tip of the iceberg for a multi-year exploration program."

"We announced yesterday that shareholders of the Company will be asked to approve changing the name of [SRHI Inc.](#) to Three Valley Copper Corp. With this change, we will be investing in a multi-faceted outreach program to better acquaint shareholders, potential investors and the investing public with Three Valley Copper. In June, expect to see the beginning of staged releases of a new logo, website, social media connections and other mediums to increase the awareness of the Company's firm commitment to growing the Three Valley Copper brand. With favorable market sentiment to copper supported by an ever increasing call for a decarbonized future, we are excited at the role copper will play in the increased electrification of the world."

Operational Results Summary

<i>Operating information</i>	Three months ended			
	Mar. 31, 2021		Mar. 31, 2020	
Copper (MTV Operations)				
Total ore mined (thousands of tonnes)	179		249	
Grade of ore mined (% Cu)	0.57	%	0.82	%
Total waste mined (thousands of tonnes)	179		638	
Ore Processed (thousands of tonnes)	223		299	
Cu Production (tonnes)	900		1,484	
Cu Production (thousands of pounds)	1,985		3,271	
Change in inventory (\$000s)	\$ 6,034		\$ (3,226)	
Cash cost of copper produced ¹ (USD per pound)	\$ 2.28		\$ 3.23	
Realized copper price ¹ (USD per pound)	\$ 3.47		\$ 2.25	

¹ Refer to Non-IFRS Performance Measures

Ore Production

- Ore mined of 167,290 tonnes at a grade of 0.56% from Don Gabriel representing 94% of ore mined
- 73% of ore processed from Don Gabriel; 22% from third-party small miners and ENAMI; 5% from Papomono
- For the first time, ore was processed through the salt leach while operating at design parameters and improvements in contained copper recoveries are expected and will be monitored in the coming months
- Produced 2.0 million pounds of 99.999% pure copper cathodes at a cash cost per pound produced¹ of \$2.28
- Sold 2.0 million pounds of copper cathodes at an average realized copper price¹ of \$3.47 per pound.
- High unit costs expected throughout 2021 and into 2022 as the Company expects to operate below capacity
- Secured extension permit for Don Gabriel until 2028

Construction and Development of Papomono Masivo

- Block caving construction continuing with completion targeted at the end of 2021
- Production at this higher-grade deposit scheduled to commence in late 2021 and is expected to ultimately generate underground production in excess of 2,000 tonnes per day while significantly reducing unit-mining costs
- Under the base case mine plan, the mineral reserve estimate for Papomono Masivo is 3,067kt of proven and probable mineral reserves (at a copper grade of 1.51%)
- Obtained new mining permit approving the removal of mineralized material using the block caving mining methodology

Exploration

- Significant strategic land package of over 46,000 hectares
- Property in the well-known copper producing Coquimbo region which has Antofagasta Minerals' Los Pelambres mine located approximately 50 kilometers to the east of MTV
- Senior exploration geologist retained currently assessing and planning an exploration program
- With more than 100 copper outcrop occurrences and 70 artisanal mining sites with geological characteristics similar to that of the Papomono and Don Gabriel orebodies, together with near-term infill drilling opportunities, the Company believes there is significant exploration potential

COVID-19

- Beginning in March 2021 and in conjunction with the Chilean Ministry of Mining, the Ministry of Health and the Regional Mining Secretary of Coquimbo, MTV initiated an on-site vaccination program by offering vaccinations to all MTV employees and contractors. To date, approximately 30% of the workforce have received both doses of the vaccine and nearly 100% of the workforce have opted to participate
- Chile imposed its strictest COVID-19 containment measures in April 2021 resulting in disruptions beginning late April for delivery of supplies, contractor productivity and reduced operations of third-party small miners providing ore to MTV's facilities which could delay planned operations for 2021

Financial Results Summary

<i>Financial information (in thousands)</i>	Three months ended	
	Mar. 31, 2021	Mar. 31, 2020
Revenue	\$ 7,000	\$ 7,147
Gross profit (loss)	\$ 2,141	\$ (6,982)
Net loss from continuing operations	\$ (655)	\$ (15,576)
Net loss from discontinued operations	\$ -	\$ (2,241)
Net loss for the period	\$ (655)	\$ (17,817)
Net loss per share attributable to owners of the Company	\$ (0.01)	\$ (0.37)
EBITDA from continuing operations ¹	\$ 2,792	\$ (12,034)
Adjusted EBITDA from continuing operations ¹	\$ 700	\$ (1,830)
Gain (loss) on portfolio investments	\$ 107	\$ (2,332)
Impairment of non-current assets	\$ -	\$ (7,628)
Reversal (write-down) of inventory	\$ 1,738	\$ (3,805)
Cash provided by (used in) operating activities before working capital changes	\$ 709	\$ (2,246)
Working capital ¹	\$ 6,948	\$ 15,127
Net debt ¹	\$ 62,323	\$ 54,289

¹ Refer to Non-IFRS Performance Measures

Financial Results

Revenues of \$7.0 million for the three months ended March 31, 2021 were generated predominantly from the sale of copper cathodes. Finished goods inventory at March 31, 2021 was approximately \$1.7 million. Copper cathodes sold for the three months ended March 31, 2021 of 906 tonnes was lower than the comparative quarter in 2020 of 1,354 tonnes with their respective revenues based on an average realized copper price of \$3.47 and \$2.25 per pound.

The Company reported a gross profit of \$2.1 million for the three months ended March 31, 2021 that includes a reversal of a previous write-down of inventory of \$1.7 million as a reduction to cost of sales. Included in the gross loss of \$7.0 million for the comparable quarter, is an impairment in inventory of \$3.8 million that is recorded as an increase to cost of sales.

In accordance with the offtake agreement, MTV sold 46% of its copper cathode production at \$2.89 per

pound for the three months ended March 31, 2021. This percentage is higher than the expected 40% as copper cathode production was lower during the three months ended March 31, 2021 than was anticipated when the fixed priced portion of the contract was entered into. The increasing copper price together with MTV's obligation to sell a set amount of its production at \$2.89 per pound until July 2022 is affecting the economics of purchasing ore from third-party small miners at market. At times, these purchases may be uneconomic, however, the Company continues this practice as the relationship with these third parties to the business is of strategic importance as is the continued access to the ore they produce. The Company is currently assessing its options under the offtake agreement and continuing an open dialogue with the offtaker to explore alternatives to resolve this.

The Company's general and administrative expense was \$1.0 million compared to \$1.2 million in Q1 2020, primarily as a result of the Company's continued focus on reducing these costs throughout the organization.

Finance expenses totaled \$2.2 million compared to \$1.6 million in Q1 2020 as the average balance of the Company's long-term debt grew. Given the current grace period achieved for the long-term debt under MTV's restructuring in 2020, cash interest payments made in Q1 2021 amounted to \$0.6 million.

The Company reported a quarterly net loss attributable to owners of the Company of \$0.3 million or \$(0.01) per share. Adjusted EBITDA (see *Non-IFRS Financial Measures*) from continuing operations for the three months ended March 31, 2021 was \$0.7 million or \$0.02 per share. For the comparable quarter in 2020, the Company reported a net loss attributable to owners of the Company of \$12.5 million or \$(0.37) per share and Adjusted EBITDA from continuing operations of negative \$1.8 million or \$(0.05) per share.

In the first quarter of 2021, cash used in operating activities was \$3.9 million (cash provided of \$0.7 million before changes in non-cash components of working capital), compared with 2020 when cash used in operating activities was \$0.5 million (cash used of \$2.2 million before changes in non-cash components of working capital).

Cash Position, Working Capital and Net Debt

Cash and cash equivalents decreased to \$4.7 million at March 31, 2021 from \$12.0 million at December 31, 2020 mainly due to \$3.9 million used in operating activities, \$2.8 million of capital expenditures related to the construction and development of the Papomono Masivo and \$0.6 million of interest payments. In April 2021, the Company strengthened its cash position with the closing of the Offering.

The Company has working capital (see *Non-IFRS Financial Measures*) of \$6.9 million at March 31, 2021 and approximately \$13.9 million as at the date hereof.

The Company is substantially leveraged. The Company's net debt (see *Non-IFRS Financial Measures*) at March 31, 2021 was \$62.3 million. The Company's debt position continues to increase as it capitalizes interest and remains in a grace period for the majority of its debt and more than half of its debt servicing payments until March 31, 2022.

Health and Safety

For the three months ended March 31, 2021, there were no Lost-Time Incidents. The Company and MTV devote considerable time and effort to ensure that workers and contractors return safely to their families after each shift. Safety statistics are monitored and compared to the country and peer averages, and MTV pro-actively engages in education and assessment to achieve a goal of zero lost-time incidents.

Community and Environment

MTV continues to work with local communities and for the three months ended March 31, 2021, the MTV Foundation continued the funding of projects agreed to by the MTV 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. MTV's ore purchase program also 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.

Qualified Persons

The scientific and technical content contained in this news release is taken from the technical report (the "Technical Report") entitled "Minera Tres Valles Copper Project, Salamanca, Coquimbo Region, Chile NI 43-101 Technical Report" 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 were independent qualified persons as defined by NI 43-101 at the time the Technical Report was prepared. The Technical Report is available under the Company's profile on www.SEDAR.com. Readers are encouraged to read the Technical Report in its entirety except for certain sections withdrawn by the Company in relation to disclosure regarding the Preliminary Economic Assessment appearing in the Technical Report (see press release dated April 12, 2021).

About SRHI Inc.

SRHI, headquartered in Toronto, Ontario, Canada is focused on growing copper production from, and further exploration of, its primary asset, Minera Tres Valles SpA. Located in Salamanca, Chile, MTV is 70% owned by the Company and MTV's main assets are the Minera Tres Valles mining complex and its 46,000 hectares of exploratory lands. For more information about SRHI, please visit www.srhi.ca.

Non-IFRS Performance Measures

"Cash costs", "EBITDA", "Adjusted EBITDA", "Realized copper price", "Working Capital" and "Net Debt" are non-IFRS performance measures. These non-IFRS performance measures do not have a standardized meaning prescribed by IFRS. These measures may differ from those used by, and may not be comparable to such measures as reported by, other issuers. The Company believes that these measures are commonly used by certain investors, in conjunction with conventional IFRS measures, to enhance their understanding of the Company's performance. For further information and a detailed reconciliation of each non-IFRS measure used in this press release to the most directly comparable IFRS measure, please refer to the Company's MD&A and accompanying SRHI financial statements filed 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: future outcomes and expectations related to MTV's ongoing operations, the positive impact of the current copper price environment; the use of proceeds from the Offering; expectations regarding the costs, timing and benefits of constructing and mining Papomono Masivo and MTV's plan during the construction period; expectations regarding the strip ratio, grade mined at Don Gabriel and ore supply from third-party miners; MTV's focus for 2021, 2022 and the expected production of the Don Gabriel mine and the timing thereof; sustainability of the mine plan at MTV; impacts of COVID-19 and the Company's and MTV's precautions to manage and mitigate same; expectations regarding production following construction and ability and timing of generation of cash flow; ongoing geopolitical risks in Chile; expectations regarding the Company's 2021 guidance; the long-term mine plan at Papomono Masivo and the timing in respect of production growth therefrom; future block caving efforts and the expected benefits therefrom and timing thereof; expectations regarding exploration, the cost, timing and success of such initiatives; MTV's labour and health and safety initiatives and expectations; and the timing and completion of the Company's proposed name change and associated marketing outreach program therefrom and timing thereof.

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 additional significant disruptions affecting the development and operation of MTV; the availability of certain consumables (including water) and services and the prices for power and other key supplies being approximately consistent with assumptions in the Technical Report; labour and materials costs being approximately consistent with assumptions in the Technical Report; fixed operating costs being approximately consistent with assumptions in the Technical Report; permitting and arrangements with stakeholders being consistent with current expectations as outlined in the Technical Report; certain tax rates, including the allocation of certain tax attributes, being applicable to MTV; the availability of financing for the Company's and MTV's planned operations and development activities; assumptions made in mineral resource and mineral reserve estimates and the financial analysis based on these estimates, 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, the continued availability of quality management, critical accounting estimates, all terms of the restructuring agreement and facility agreement to which MTV and the Company are parties will be satisfied in the future including no events of default, existing water supply will continue, supplemental water availability will continue, the geopolitical risk of Chile will remain stable, including risks related to labour disputes, the construction and expansion of mining operations including the Papomono Masivo incline block caving underground mining project, as well as the timing thereof and production therefrom; the timing of production and results for the recently restarted Don Gabriel mine; and expected timelines for drawdown and repayment of indebtedness of MTV.

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 in general; (v) performance of the counterparty to the ENAMI 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 additional financing in the future on acceptable terms to the Company, if at all; (x) commodity price and foreign exchange fluctuations and uncertainties; (xi) risks associated with catastrophic events, manmade disasters, terrorist attacks, wars and other conflicts, or an outbreak of a public health pandemic or other public health crises, including COVID-19; (xii) those risks disclosed under the heading "Risk Management" in SRHI's Management's Discussion and Analysis for the period ended December 31, 2020; and (xiii) those risks disclosed under the heading "Risk Factors" or incorporated by reference into SRHI's Annual Information Form dated March 3, 2021. 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. Historically, while such terms were recognized and required by Canadian regulations, they were not recognized by the United States Securities and Exchange Commission (the "SEC"). The SEC has adopted amendments to its disclosure rules to modernize the mineral property disclosure requirements for issuers whose securities are registered with the SEC under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"). These amendments became effective February 25, 2019 (the "SEC Modernization Rules") with compliance required for the first fiscal year beginning on or after January 1, 2021. The SEC Modernization Rules replace the historical property disclosure requirements for mining registrants that were included in SEC Industry Guide 7, which will be rescinded from and after the required compliance date of the SEC Modernization Rules. As a result of the adoption of the SEC Modernization Rules, the SEC now recognizes estimates of "measured", "indicated" and "inferred" mineral resources. In addition, the SEC has amended its definitions of "proven mineral reserves" and "probable mineral reserves" to be substantially similar to the corresponding Canadian Institute of Mining, Metallurgy and Petroleum definitions, as required by NI 43-101. Investors are cautioned that "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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