

**Sprott Resource Corp.**  
Q1 2015 Results Conference Call

May 12, 2015



# Forward-Looking Information and Statements

## Forward-Looking Information

Certain statements in this presentation, and in particular the "Priorities", "Capital Allocation" and "Summary" slides, 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: (i) SRC's priorities, including, improving liquidity through appropriate monetizations, positioning portfolio companies for recovery in the resource sector, securing new capital to deploy into out-of-favour commodity sectors and reducing the discount to NAV; (ii) the order of priority of capital allocation by SRC; (iii) the methods by which SRC intends to reduce the discount to NAV; (iv) SRC's burn rate; (v) SRC's belief with the respect to the beginnings of a recovery driven by supply/demand fundamentals; (vi) continued performance of the agricultural businesses; and (vii) expectations with respect to the next upswing in the commodities cycle.

Although SRC 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: (i) energy markets are improving; (ii) the continued availability of quality management; (iii) the effects of regulation and tax laws of governmental agencies will not materially change; and (iv) the ability to obtain financing on acceptable terms will continue to be available. 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) general economic, market and business conditions; (ii) market volatility that would affect the ability to enter or exit investments; (iii) commodity price fluctuations and uncertainties; (iv) risks associated with the oil and gas 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 reserves, production, costs and expenses, and health, safety and environmental risks); and (v) those risks described under the heading "Risk Factors" in SRC's annual information form dated March 3, 2015. The Forward-Looking Statements speak only as of the date hereof, unless otherwise specifically noted, and SRC 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.

# Speakers

**Steve Yuzpe**

Chief Executive Officer

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**Michael Staresinic**

Chief Financial Officer

# Introduction

- Sell-off in the energy sector continued to weigh on SRC NAV and share price in Q1
- Energy prices began to recover late in the quarter and in the early part of Q2
- SRC's NAV and share price have increased subsequent to the end of Q1

# Summary of Quarterly Financial Information

\$ millions (except for per share amounts)	Q1 2015	Q4 2014
Total Assets	\$217.2	\$241.7
Liabilities	\$(15.3)	(\$14.0)
Net Asset Value (NAV)	\$201.9	\$227.7
NAV per share	\$2.06	\$2.33

# Income Statement

\$ millions (except for per share amounts)	Q1 2015	Q4 2014
<b>Investment loss</b>	<b>(\$24.0)</b>	<b>(\$130.1)</b>
<b>Expenses</b>		
General, administrative expenses, transaction costs and foreign exchange gains on cash balances	<b>0.6</b>	<b>1.3</b>
Management fees and compensation expense	<b>1.1</b>	<b>1.7</b>
Financing costs	<b>0.2</b>	<b>0.2</b>
<b>Income tax expense</b>	<b>–</b>	<b>4.6</b>
<b>Loss</b>	<b>(\$25.9)</b>	<b>(\$137.9)</b>
<b>Loss per share</b>	<b>(\$0.27)</b>	<b>(\$1.41)</b>

# Liquidity Profile

- Current cash balance is ~\$2MM, with \$1.7MM in commitments, dependent on certain milestones
- ~\$12MM drawn on \$20MM credit facility with Sprott Inc.
- \$60MM in liquid public company investments
- \$35MM in illiquid public company investments

# Priorities

- Improve liquidity through appropriate monetizations
- Reduce discount to NAV
- Position portfolio companies for recovery in the resource sector
- Secure new capital to deploy into out-of-favour commodity sectors



# Capital Allocation

SRC is committed to allocating capital in the following order of priority:

- Share buyback under NCIB, when trading at an appropriate discount to NAV
- Supporting existing investments
- New investments

# Management Commitment to Reduce NAV Discount

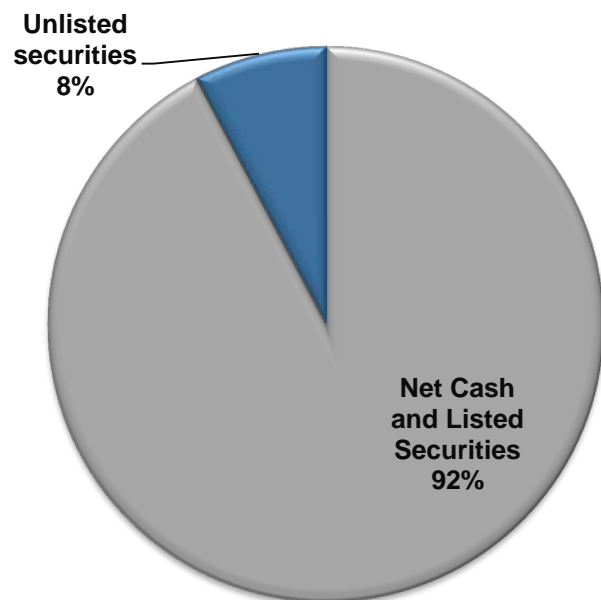
- Discount to NAV as of March 31, 2015 was ~55%
- SRC is committed to reducing the discount to NAV through:
  - Repositioning the portfolio to improve liquidity
  - Buying back and cancelling shares through NCIB, when regulatory windows permit
  - Continuing to create shareholder value by investing counter-cyclically in out-of-favour commodity sectors
  - Transparency in private company valuations

# Valuation process

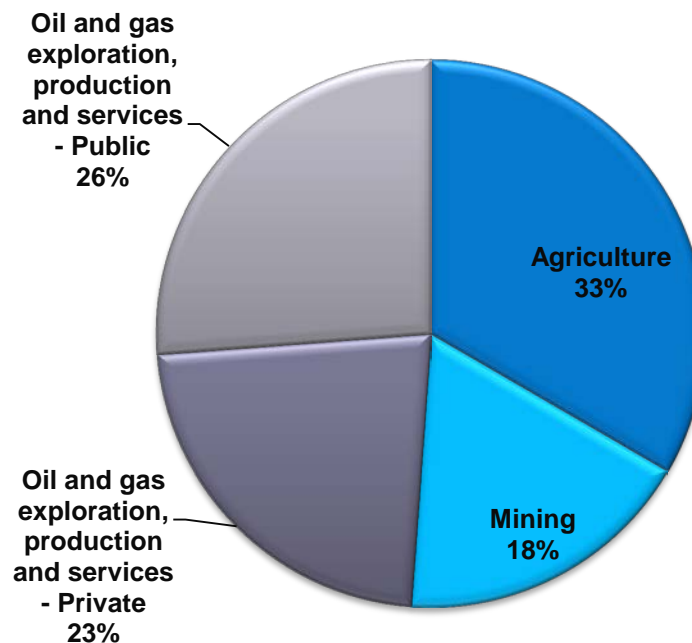
- Each private company is valued at least once a year, on a staggered basis
- SRC engages respected independent 3<sup>rd</sup> party valuation firms with industry-specific expertise
- Valuers are given full access to portfolio company management teams
- Conclusions are vetted by PWC's valuation group
- SRC assigns a fair value based on the mid-point of the valuation range

# Portfolio Construction

## Public vs. Private % of Market Cap



## Sector Breakdown



# Relationship with Sprott Inc.

- SRC's relationship with SII provides us with a range of unique benefits
- Management and Board of SRC are committed to the highest standards of transparency and ethical operations
- SRC has an independent Board of Directors with a Conflict Resolution Committee
- SRC's line of credit was entered into after reviewing market alternatives and with oversight by the Conflict Resolution Committee

# Investment Portfolio

Investment	Type / Stage	Fair Value	% Ownership	Probable Exit
<b>Independence Contract Drilling</b>	Public / Growth	\$39.9MM	18.6%	Public Market
<b>InPlay Oil</b>	Private / Growth	\$24.0MM	19.9%	Acquisition
<b>Long Run Exploration</b>	Public / Mature	\$15.9MM	11.9%	Public Market
<b>One Earth Oil &amp; Gas</b>	Private / Early	\$14.0MM	97.1%	Acquisition
<b>Delphi Energy Royalty</b>	Private / Growth	\$5.6MM	N/A	Runoff
<b>RII</b>	Private / Value Creation	\$4.7MM	18.6%	Acquisition
<b>Corsa Coal</b>	Public / Growth	\$30.1MM	19.9%	Public Market
<b>Potash Ridge</b>	Public / Early	\$1.7MM	24.4%	Public Market
<b>Stonegate Agricom</b>	Public / Early	\$2.1MM	20.9%	Public Market
<b>Virginia Energy Resources</b>	Private / Early	\$0.3MM	16.5%	Public Market
<b>Union Agriculture Group</b>	Private / Mature	\$40.2MM	6.6%	Private sale
<b>One Earth Farms</b>	Private / Growth	\$31.0MM	49.9%	Acquisition

# Summary

- SRC believes we are seeing the beginnings of a recovery in the energy sector that is being driven by supply/demand fundamentals
- Agricultural businesses continue to perform
- Focused on working with portfolio companies to position them for next upswing in the commodities cycle
- Management is committed to:
  - Improving liquidity
  - Pursuing monetizations where appropriate
  - Reducing the discount to NAV
- Deal flow remains strong