

Sprott Resource Corp.

Consolidated Financial Statements

First Quarter Ended March 31, 2010

(Unaudited – *expressed in Canadian dollars*)

Sprott Resource Corp.

Consolidated Balance Sheets

As at March 31, 2010

(Unaudited – expressed in Canadian dollars)

	Mar. 31, 2010	Dec. 31, 2009
	\$000's	\$000's
Assets		
Current Assets		
Cash and cash equivalents	81,069	107,085
Cash held in trust (note 9)	2,120	-
Gold and silver bullion (note 4)	75,392	75,392
Accounts receivable	14,246	7,500
Prepaid and other receivables	5,772	5,520
Crop and livestock inventory	4,570	1,256
Derivative financial instruments (note 18)	4,316	1,210
	<u>187,485</u>	<u>197,963</u>
Investments (note 5)	40,992	33,750
Investment in Stonegate Agricom Ltd. (note 8)	13,720	14,069
Loans and promissory notes receivable	150	150
Mining claims and deferred exploration	-	-
Property, plant and equipment, net of accumulated depletion, depreciation and amortization (note 11)	170,896	148,589
Long term livestock inventory (note 9)	1,055	586
Future income tax assets	13,558	13,495
	<u>427,856</u>	<u>408,602</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	27,318	21,678
Income and capital tax payable	288	252
	<u>27,606</u>	<u>21,930</u>
Bank credit facility (note 6)	17,605	2,052
Asset retirement obligation (note 12)	4,809	4,110
	<u>50,020</u>	<u>28,092</u>
Non-controlling interest (note 13)	48,719	45,948
Shareholders' Equity		
Capital stock (note 14b)	213,885	213,747
Warrants (note 14d)	44,252	44,305
Contributed surplus (note 14j)	4,253	3,357
	<u>262,390</u>	<u>261,409</u>
Retained earnings	67,150	72,896
Accumulated other comprehensive income (loss)	(423)	257
	<u>329,117</u>	<u>334,562</u>
	<u>427,856</u>	<u>408,602</u>
Commitments (note 17)		
Subsequent events (note 19)		
Approved by the Board of Directors		

(signed) Michael Winn

(signed) Terrence A. Lyons

Director

Director

The accompanying notes are an integral part of these consolidated financial statements

Sprott Resource Corp.

Consolidated Statements of Operations and Retained Earnings For the three months ended March 31, 2010

(Unaudited – expressed in Canadian dollars)

	Three months ended	
	Mar. 31, 2010	Mar. 31, 2009
	\$000's	\$000's
Revenue		
Oil and gas revenue	18,488	385
Oil and gas royalties	(3,352)	(89)
Farming revenue	379	-
	<u>15,515</u>	<u>296</u>
Other income and expenses		
General and administrative expense (note 16)	7,127	1,630
Management fees (notes 15, 16 and 17)	1,510	1,417
Oil and gas operating and exploration	10,561	481
Farm production costs	565	-
Interest expense	193	-
Gains on disposal of investments (note 5)	(183)	(1,187)
Loss on dilution from investments (note 10)	291	-
Foreign exchange loss (gain)	22	(108)
Interest and other income	(17)	(629)
Realized loss on derivative instruments (note 18)	180	-
Unrealized loss on derivatives instruments (note 18)	1,146	-
Unrealized loss on investments held for trading (note 5)	81	-
	<u>21,476</u>	<u>1,604</u>
Earnings (loss) before income taxes	<u>(5,961)</u>	<u>(1,308)</u>
Provision for income taxes		
Current income tax recovery (expense)	-	(50)
Future income tax (expense) recovery	(390)	225
	<u>(390)</u>	<u>175</u>
Equity loss of Stonegate Agricom Ltd. (note 8)	(411)	(309)
Non-controlling interest (note 13)	1,016	271
Net loss for the period	<u>(5,746)</u>	<u>(1,171)</u>
Retained earnings - Beginning of period	<u>72,896</u>	<u>80,623</u>
Retained earnings - End of period	<u>67,150</u>	<u>79,452</u>
Basic earnings (loss) per share	(0.06)	(0.01)
Fully diluted earnings (loss) per share	(0.06)	(0.01)
Weighted average shares outstanding during the period		
Basic	96,193,427	81,807,229
Fully diluted	96,731,219	81,879,313

The accompanying notes are an integral part of these consolidated financial statements

Sprott Resource Corp.

Consolidated Statements of Comprehensive Income and Accumulated Other Comprehensive Income For the three months ended March 31, 2010

(Unaudited – expressed in Canadian dollars)

	Three months ended	
	Mar. 31, 2010	Mar. 31, 2009
	\$000's	\$000's
Net earnings (loss) for the period before other comprehensive income	(5,746)	(1,171)
Unrealized gains (losses) on available for sale investments (note 5)	(580)	1,926
Gains on disposal of investments	(183)	(1,187)
Future income taxes on available for sale investments	83	-
Comprehensive income for the period, net of tax	<u>(6,426)</u>	<u>(432)</u>
Accumulated other comprehensive income (loss) – beginning of period	257	(4,520)
Unrealized gains (losses) on available for sale investments (note 5)	(580)	1,926
Gains on disposal of investments	(183)	(1,187)
Future income taxes on available for sale investments	83	-
Accumulated other comprehensive income – end of period, net of tax	<u>(423)</u>	<u>(3,781)</u>

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Sprott Resource Corp.
 Consolidated Statement of Cash Flows
 For the three months ended March 31, 2010

(Unaudited – expressed in Canadian dollars)

	Three months ended	
	Mar. 31, 2010	Mar. 31, 2009
	\$000's	\$000's
Cash flows from (used in) operating activities		
Net income (loss) for the period	(5,746)	(1,171)
Items not affecting cash		
Gain on disposal of investments	(183)	(1,187)
Unrealized loss on derivative instruments	1,146	-
Unrealized losses on investments held for trading	81	-
Gain on dilution from investments	291	-
Equity loss of Stonegate Agricom Ltd.	411	309
Depletion, depreciation and amortization	4,651	116
Asset retirement obligation accretion	129	-
Future income tax recovery	390	(225)
Income & capital tax expense	-	50
Non-controlling interest	(1,016)	(271)
Stock-based compensation	1,118	37
Write down of mining claims and deferred exploration	-	23
	<u>1,272</u>	<u>(2,319)</u>
Changes in non-cash operating working capital		
Change in prepaids and other receivables	(252)	(2,378)
Change in crop and livestock inventory	(3,314)	-
Change in accounts receivable and note receivable	(7,129)	(22)
Change in accounts payable and accrued liabilities	6,259	(2,716)
Change in derivative financial instruments	(4,252)	-
Change in taxes payable	-	(14,800)
	<u>(7,416)</u>	<u>(22,235)</u>

Consolidated Statement of Cash Flows continued on next page

Sprott Resource Corp.
Consolidated Statement of Cash Flows
For the three months ended March 31, 2010

(Unaudited – expressed in Canadian dollars)

	Three months ended	
	Mar. 31, 2010	Mar. 31, 2009
	\$000's	\$000's
Cash flows from (used in) investing activities		
Purchase of short-term investments	-	13,850
Deposit for purchase of long term assets	(2,120)	-
Deferred exploration expenditures	-	(104)
Purchase of investments	(8,534)	(7,837)
Proceeds on sale of investments	631	4,118
Purchase of property, plant and equipment	(26,670)	(1,244)
Investment in long-term inventory	(469)	-
	(37,162)	8,783
Cash flows from (used in) financing activities		
Financing in Waseca Energy Inc.	2,925	-
Proceeds from bank credit facility	15,552	-
Proceeds from exercise of warrants	85	-
	18,562	-
Change in cash and cash equivalents	(26,016)	(13,452)
Cash and cash equivalents – Beginning of period	107,085	45,264
Cash and cash equivalents – End of period	81,069	31,812
Cash and cash equivalents are comprised of:		
Cash	46,910	31,812
Short-term investments	34,159	-
	81,069	31,812

The accompanying notes are an integral part of these financial statements

Sprott Resource Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2010

(Unaudited – expressed in Canadian dollars)

1 Organization and nature of operations

Sprott Resource Corp. (the “Company” or “SRC”) was incorporated under the Canada Business Corporations Act (“CBCA”) on August 19, 1994.

The primary purpose of the Company is to invest in the natural resource sector through acquisitions, joint ventures and the creation of new companies.

As at March 31, 2010, the Company consolidates the operations of its subsidiaries including, Orion Oil & Gas Corporation (“Orion”), Waseca Energy Inc. (“Waseca”), One Earth Farms Corp. (“One Earth Farms”) and One Earth Oil & Gas Inc. (“One Earth Oil & Gas”). In addition, the Company equity accounts for Stonegate Agricom Ltd. (“Stonegate Agricom”).

The Company’s economic ownership these entities are as follows:

	March 31, 2010 Ownership (%)	December 31, 2009 Ownership (%)
Energy		
Orion	78.9	79.3
Waseca	81.3	79.0
One Earth oil & Gas	100	100
Agriculture		
One Earth Farms	66.7	66.7
Stonegate Agricom	72.7	72.6

2 Significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) disclosure requirements for interim financial statements.

The disclosures contained in these interim consolidated financial statements do not include all of the requirements of Canadian GAAP for annual audited consolidated financial statements. The interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2009.

The unaudited interim consolidated financial statements are based on accounting principles consistent with those used and described in the audited annual consolidated financial statements, except as described below.

3 Future accounting and reporting changes

a) Business combinations, consolidated financial statements and non-controlling interest

In January 2009, The CICA issued CICA Handbook Section 1582, Business Combinations, Section 1601, Consolidations, and Section 1602, Non-controlling Interests. These sections replace the former CICA Handbook Section 1581, Business Combinations and Section 1600, Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition related costs will be expensed

Sprott Resource Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2010

(Unaudited – expressed in Canadian dollars)

as incurred and that restructuring charges will be expensed in the periods after the acquisition date. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination.

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year.

All three sections must be adopted concurrently. The Company is currently evaluating the impact of adopting the sections.

4 Gold and silver bullion

The Company holds physical gold and silver bullion. The details are as follows:

Bullion	Ounces	As at March 31, 2010			Ounces	As at December 31, 2009		
		Cost	Average cost	Fair value		Cost	Average cost	Fair value
		\$000's	per ounce \$	\$000's		\$000's	per ounce \$	\$000's
Gold	73,971	75,392	1,019	83,539	73,971	75,392	1,019	84,842

5 Investments

The Company has a portfolio of investments in securities of public and private companies. The Company's ownership percentage in each case is less than 20%.

	3 Months Ended Mar. 31, 2010 \$000's
Opening balance – December 31, 2009	33,750
Acquisitions during the period	8,534
Unrealized gains (losses) on available for sale securities during the period	(580)
Unrealized loss on held for trading securities during the period	(81)
Proceeds on disposal of investments at fair market value	(631)
Closing balance at fair value – March 31, 2010	40,992

Sprott Resource Corp.

Notes to the Consolidated Financial Statements For the three months ended March 31, 2010

(Unaudited – expressed in Canadian dollars)

Available for sale public investments are measured at fair value. Available for sale private investments are measured at cost. Held for trading investments are measured at fair value.

Investments (\$000's)	As at		
	Mar. 31, 2010 \$000's	Dec. 31, 2009 \$000's	
Public Securities – common shares	Available for sale	16,605	17,815
Public Securities – warrants	Held for trading	470	552
Private Securities – common shares	Available for sale	23,755	15,221
Private Securities – warrants	Held for trading	162	162
Total Investments		40,992	33,750

6 Bank Credit Facility

Orion has a credit facility with a Canadian chartered bank which is comprised of a \$50 million revolving term-out facility; the first revolving period will end on December 8, 2010. On December 8, 2010, Orion can obtain an offer of extension. In the situation that they cannot obtain an offer of extension, then this revolving facility turns into a 365 day non-revolving term facility. Amounts drawn under this facility can take the form of Canadian and US prime rate based loans, bankers' acceptances, LIBOR loans or letters of credit. The facility bears interest at the prime rate, bankers' acceptance rate or at LIBOR plus a spread above the reference rate between 1.75 percent and 5.50 percent per annum. This facility is collateralized by a first priority security interest on all present and after acquired property of Orion Oil & Gas (North America) Ltd. As at March 31, 2010, \$17.6 million was outstanding under this facility.

7 Investment in Waseca Energy Inc.

Waseca is a private Canadian oil and gas company whose primary focus is heavy oil production from the Lloydminster area near the border between Alberta and Saskatchewan.

As at December 31, 2009, the Company owned 45.3 million common shares of Waseca for an aggregate purchase price of 27.2 million (\$0.60 per share) representing 79.0% of Waseca's outstanding common shares. During the first quarter of 2010, Waseca completed a \$20 million financing by way of a rights offering to existing shareholders. As part of the offering, the Company purchased 28.3 million common shares of Waseca at \$0.60 per common share for a total cost of \$17 million. As a result of this rights offering, the Company's interest in Waseca has increased from 79.0% to 81.3% on an undiluted basis. Waseca currently has 90.6 million shares issued and outstanding and 106.1 million fully diluted (see note 14f "The Waseca Stock Option Plan" and note 14g "Waseca Performance Shares" for additional information on the dilutive securities). The Company has been granted 300,000 options and 600,000 performance warrants exercisable at \$0.60 per option or warrant. Waseca granted 150,000 options and 300,000 performance warrants to the Company on October 1, 2008 and the remaining 150,000 options and 300,000 performance warrants on January 8, 2010. Each outstanding option becomes exercisable as to 33 1/3% on a cumulative basis, at the end of each of the first, second and third years following the date of grant. The options and performance warrants have a five year-year term from the date of grant. The performance warrants have not vested as there has not been a liquidity event.

8 Investment in Stonegate Agricom Ltd.

Stonegate Agricom holds mineral claims relating to the Mantaro Phosphate Project located in Peru and the Paris Hills property in Idaho.

The Company owns 63.7 million common shares representing a 72.7% interest of Stonegate Agricom. Pursuant to a Voting Agreement, the Company does not control Stonegate Agricom and has equity accounted for its investment. The Company agreed to vote its Stonegate Agricom shares in favour of each nominee to the board of directors proposed by the management of Stonegate Agricom for a period of three (3) years from the date of the IPO of Stonegate Agricom (see note 19c "Subsequent Events" for additional information), provided that one such nominee is a representative of the Company.

Sprott Resource Corp.

Notes to the Consolidated Financial Statements For the three months ended March 31, 2010

(Unaudited – expressed in Canadian dollars)

A summary of 100% of the assets and liabilities of Stonegate Agricom as at March 31, 2010 and the results of operations for the period ending March 31, 2010 are as follows:

	As at	
	Mar. 31, 2010	Dec. 31, 2009
	\$000's	\$000's
Assets		
Total current assets	2,438	3,432
Total non-current assets	20,670	20,295
	<u>23,108</u>	<u>23,727</u>
Liabilities		
Total current liabilities	269	336
Total non-current liabilities	3,967	4,014
	<u>4,236</u>	<u>4,350</u>
Shareholder's Equity		
Share capital	21,757	21,695
Contributed surplus	324	324
Deficit	(3,209)	(2,642)
	<u>23,108</u>	<u>23,727</u>
	Period Ended Mar. 31, 2010	Period Ended Mar. 31, 2009
	\$000's	\$000's
Revenue	-	9
Expenses	(613)	(400)
Loss before income taxes	<u>(613)</u>	<u>(391)</u>
Other income (expense)	46	-
Loss for the period	<u>(567)</u>	<u>(391)</u>
Company's share of equity loss of Stonegate Agricom	<u>(411)</u>	<u>(309)</u>

The investment in Stonegate Agricom is as follows:

	2010 \$000's
Balance – beginning of period	14,069
Share of loss for the period	(411)
Acquisitions	62
Balance – end of period	<u>13,720</u>

Sprott Resource Corp.

Notes to the Consolidated Financial Statements For the three months ended March 31, 2010

(Unaudited – expressed in Canadian dollars)

9 One Earth Farms Corp.

One Earth Farms began farming operations on First Nations' farmland in the Province of Saskatchewan.

During 2009, the Company invested \$27.5 million in One Earth Farms through the purchase of 30 million units. Each unit entitles the Company to one common share of One Earth Farms, representing 66.7% of the issued and outstanding common shares, and one common share purchase warrant exercisable for \$1.00 for a period of five years, expiring on March 3, 2014.

In the first quarter of 2010, One Earth Farms recorded \$379 thousand of revenue from the delivery and sale of barley and wheat harvested in 2009. Production costs for the crops delivered and sold were \$565 thousand.

	3 Month Period Ended Mar. 31, 2010 \$000's
Farm revenue	379
Production costs ¹	(565)
Gross profit (loss) on farming operations	(186)

1. Included in production costs are direct farm labour, direct crop inputs (seed, fertilizer, chemicals and fuel), crop insurance and direct equipment depreciation and amortization. Excluded are all overhead costs (farm management, premises leases, operational equipment depreciation and amortization etc.) and cropland leases.

One Earth Farms held \$2.1 million cash in trust to complete a purchase of cattle and feed. The purchase was completed subsequent to quarter end.

One Earth Farm's inventory is as follows:

	Dec. 31, 2009				Mar. 31, 2010
	Opening Balance	Additions	Production Costs	Inventory Write-Down	Closing Balance
	\$000's	\$000's	\$000's	\$000's	\$000's
Barley ¹	155	43	(197)	-	
Wheat ¹	314	77	(367)	(33)	24
Yearling calves	647	104	-	-	752
Hay and greenfeed	140	-	(44)	-	96
2010 crop production inputs	-	3,698	-	-	3,698
Crop & livestock inventory	1,256	3,922	(608)	(33)	4,570

1. Barley and wheat additions include costs for drying and hauling the stored crop.

10 Investment in Orion Oil and Gas Corporation

Orion Oil & Gas Corporation ("Orion") is a public company (TSX: OIP) that is primarily engaged in the exploration for, and development and operation of, oil and gas interests in Western Canada.

Orion was formed as a result of a Qualifying Transaction completed on January 8, 2010, in which Wintraysan Capital Corp. ("Wintraysan") acquired all of the outstanding shares of Orion Oil & Gas Ltd. in a share for share exchange. Upon completion of the Qualifying Transaction, Wintraysan changed its name to Orion Oil and Gas Corporation.

Upon completion of the reverse takeover, the Company owns 229.3 million common shares representing a 78.9% interest

Sprott Resource Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2010

(Unaudited – expressed in Canadian dollars)

of Orion. Orion currently has 290.6 million shares issued and outstanding and 322.7 million fully diluted (see note 14h “Orion Stock Option Plan” and note 14i “Orion Performance Warrants” for additional information on the dilutive securities). The Company recorded a dilution loss of \$291 thousand as a result of the completion of the initial public offering. The Company has been granted 300,000 options exercisable at a weighted average price of \$1.11 per option. Orion granted 150,000 options to the Company on January 8, 2010 and the remaining 150,000 options on February 24, 2010. Each outstanding option becomes exercisable as to 33 1/3% on a cumulative basis, at the end of each of the first, second and third years following the date of grant. The options have a five year-term from the date of grant.

11 Property, plant and equipment

	As at March 31, 2010		
	Cost	Accumulated Depletion and Depreciation	Net Book Value
	\$000's	\$000's	\$000's
Oil and gas properties and equipment	171,415	(7,484)	163,931
Farm equipment	7,289	(332)	6,957
Other property, plant and equipment	33	(25)	8
	<u>178,737</u>	<u>(7,841)</u>	<u>170,896</u>

	As at December 31, 2009		
	Cost	Accumulated Depletion and Depreciation	Net Book Value
	\$000's	\$000's	\$000's
Oil and gas property and equipment	149,645	(3,061)	146,584
Farm equipment	2,210	(223)	1,987
Other property, plant and equipment	38	(20)	18
	<u>151,893</u>	<u>(3,304)</u>	<u>148,589</u>

12 Asset retirement obligation

The Company is legally required to restore its properties to their original condition. Estimated future site restoration costs are based upon engineering estimates of the anticipated method and the extent of site restoration required in accordance with current legislation and industry practices in the various jurisdictions in which the Company has properties. Orion and Waseca have different resource assets, cost of capital and macroeconomic views. As a result, each company may use different assumptions in calculating the ARO related to their properties.

The assumptions used by Orion and Waseca to calculate the ARO related to oil and gas properties are as follows:

	Orion 2010	Waseca 2010
Discount rate	9%	7%
Life of wells (years)	1 - 30	7
Future undiscounted liability (\$000's)	<u>17,000</u>	<u>965</u>

Sprott Resource Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2010

(Unaudited – expressed in Canadian dollars)

The future undiscounted amount of ARO is estimated at \$18.0 million. All accretion expenses related to ARO are included within depreciation, depletion and amortization.

A summary of the Company's ARO is as follows:

	For the Quarter Ended Mar. 31, 2010			For the Year Ended Dec. 31, 2009
	Orion \$000's	Waseca \$000's	Total \$000's	Total \$000's
Liability – beginning of period	3,776	334	4,110	75
Increase through acquisitions, net of dispositions	-	-	-	3,631
Incurred during the period	264	219	483	340
Adjustment due to changed assumptions	31	56	87	-
Accretion	119	10	129	64
Liability – end of period	4,190	619	4,809	4,110

13 Non-controlling interest

A summary of the Company's non-controlling interests are as follows:

	Orion	Waseca	One Earth Farms	Total
	\$000's	\$000's	\$000's	\$000's
Balance – December 31, 2009	27,466	5,485	12,997	45,948
Current period operations	(10)	(272)	(734)	(1,016)
Financing in Waseca	-	3,226	-	3,226
Financing in Orion	48	-	-	48
Orion contributed surplus	222	-	-	222
(Gain) loss on dilution	291	-	-	291
Balance – March 31, 2010	28,017	8,439	12,263	48,719

14 Shareholders' equity

a) Authorized

Unlimited common shares with no par value.

The holders of the common shares are entitled to one vote per share. The holders of the common shares are entitled to dividends, when and if declared by the directors of the Company, and to the distribution of the residual assets of the Company in the event of the liquidation, dissolution or winding-up of the Company. No dividends have ever been declared or paid as at March 31, 2010.

Sprott Resource Corp.

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2010

(Unaudited – expressed in Canadian dollars)

b) Issued and outstanding

	Number of common shares	Amount \$000's
Balance - December 31, 2008	81,807,224	163,217
Exercise of warrants	3,332,800	8,332
Fair value of warrants exercised	-	631
Exercise of stock options	90,000	117
Fair value of stock options exercised	-	88
Capital stock issued in Orion transaction (note 10)	13,852,803	47,824
Normal course issuer bid – repurchase of capital stock (note 14(e))	(2,891,400)	(6,462)
	<hr/>	<hr/>
Balance - December 31, 2009	96,191,427	213,747
Exercise of warrants	20,000	85
Fair value of warrants exercised	-	53
Balance – March 31, 2010	<hr/>	<hr/>
	96,211,427	213,885

c) Stock options

The maximum number of shares available under the Company's stock option plan is limited to 5% of the issued common shares at the time of granting of options. Subject to any employment contracts, each option becomes exercisable as to 33 1/3% on a cumulative basis, at the end of each of the first, second and third years following the date of grant. The maximum option term shall not exceed ten years, subject to extension in the event that the expiry date falls within a "blackout" period.

	For the quarter ended March 31, 2010		For the year ended December 31, 2009	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance – beginning of period	250,000	2.59	265,000	2.04
Granted	-	-	75,000	2.98
Exercised	-	-	(90,000)	1.30
Balance – end of period	<hr/>	<hr/>	<hr/>	<hr/>
	250,000	2.59	250,000	2.59

The fair value of stock options granted was estimated as at the grant date using the Black-Scholes option pricing model. The assumptions used are noted below:

	2009
Risk-free interest rate	2.69%
Expected life	5 years
Expected volatility	75%
Fair value per option	\$ 1.86

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For the three months ended March 31, 2010

(Unaudited – expressed in Canadian dollars)

The following table summarizes information about the Company's stock options outstanding and exercisable at March 31, 2010 and December 31, 2009.

Exercise price (\$)	As at March 31, 2010			As at December 31, 2009		
	Number of options	Weighted average remaining contractual life (years)	Number of options exercisable	Number of options	Weighted average remaining contractual life (years)	Number of options exercisable
1.75	100,000	0.19	100,000	100,000	0.44	100,000
3.32	75,000	3.41	25,000	75,000	3.65	25,000
2.98	75,000	4.42	-	75,000	4.67	-
	250,000	2.43	125,000	250,000	2.67	125,000

Compensation expense for the three month period ending March 31, 2010 was \$32 thousand (2009 – \$20 thousand), all of which has been recorded in general and administrative expense.

d) Share warrants

The schedule of warrant activity during the period is as follows:

	For the quarter ended March 31, 2010			For the year ended December 31, 2009		
	Number of Warrants	Weighted average exercise price \$	Fair value amount \$000's	Number of Warrants	Weighted average exercise price \$	Fair value amount \$000's
Balance – beginning of period	16,594,284	4.25	44,305	20,449,714	3.92	45,036
Warrants exercised at \$4.25	(20,000)	4.25	(53)	(3,332,800)	2.50	(632)
Expired at \$4.25	-	-	-	(522,630)	2.50	(99)
Balance – end of period	16,574,284	4.25	44,252	16,594,284	4.25	44,305

The outstanding warrants to acquire common shares expire on December 31, 2010.

e) Normal Course Issuer Bid

On August 21, 2009, the Company announced a normal course issuer bid (“NCIB”) to repurchase for cancellation a maximum of 6.25 million of its issued and outstanding common shares within one year. The Company did not repurchase any common shares under the NCIB during the quarter ended March 31, 2010. A total of 2.9 million common shares were repurchased under the NCIB during 2009.

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Notes to the Consolidated Financial Statements For the three months ended March 31, 2010

(Unaudited – expressed in Canadian dollars)

f) The Waseca Stock Option Plan

The maximum number of shares available under the Waseca Stock Option Plan (the “Waseca Plan”) is limited to 10% of the issued common shares of Waseca at the time of granting of options. Subject to any employment contracts, each outstanding option becomes exercisable as to 33 1/3% on a cumulative basis, at the end of each of the first, second and third years following the date of grant. The maximum option term shall not exceed five years.

	As at March 31, 2010		As at December 31, 2009	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance – beginning of period	2,524,400	0.60	2,250,000	0.60
Granted	2,650,400	0.60	274,400	0.60
Balance – end of period	5,174,800	0.60	2,524,400	0.60

On January 8, 2010, Waseca awarded an additional 2,650,400 options exercisable at \$0.60 per option. The fair value of the stock options granted during the period under the Waseca Plan is estimated at the grant date using the Black-Scholes option pricing model. The assumptions used in the calculation are noted below:

Risk-free interest rate	2.69% to 3.11%
Expected life	5 years
Expected volatility	Nil%
Fair value per option	\$0.08

The following table summarizes information about Waseca’s stock options outstanding under the Waseca Plan at March 31, 2010:

Exercise price (\$)	Number of options	As at March 31, 2010	Number of options exercisable	Number of options	As at December 31, 2009	Number of options exercisable
		Weighted average remaining contractual life (years)			Weighted average remaining contractual life (years)	
0.60	5,174,800	4.2	811,667	2,524,400	3.75	750,000

Compensation expense under the Waseca Plan for the three month period ended March 31, 2010 was \$33 thousand (2009 - \$17 thousand), all of which has been recorded in general and administrative expense.

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(Unaudited – expressed in Canadian dollars)

g) Waseca Performance Shares

The following table summarizes the activity during the period for Waseca’s Performance Shares, which are only releasable upon a liquidity event:

	As at March 31, 2010		As at December 31, 2009	
	Number of shares	Weighted average conversion price \$	Number of shares	Weighted average conversion price \$
Balance – beginning of period	4,923,800	0.60	4,450,000	0.60
Granted	5,425,800	0.60	473,800	0.60
Balance – end of period	10,349,600	0.60	4,923,800	0.60

Transaction value ¹ (\$)	As at March 31, 2010			As at December 31, 2009		
	Number of Performance Shares outstanding	Weighted average remaining contractual life (years)	Number of Performance Shares convertible	Number of Performance Shares outstanding	Weighted average remaining contractual life (years)	Number of Performance Shares convertible
0.69	2,587,400	4.2	-	1,230,950	3.75	-
0.90	2,587,400	4.2	-	1,230,950	3.75	-
1.20	2,587,400	4.2	-	1,230,950	3.75	-
1.50	2,587,400	4.2	-	1,230,950	3.75	-
	10,349,600	4.2	-	4,923,800	3.75	-

1. Above table denotes transaction value required to trigger option to convert to common shares at \$0.60 per Performance Share. A transaction event occurs when Waseca’s share price exceeds the prices noted in the above table resulting from liquidation or a public transaction.

As of March 31, 2010, neither a liquidity event nor a public transaction had occurred and therefore the fair value of the Performance Shares have not been recognized in these financial statements.

h) Orion Stock Option Plan

Orion has a stock option plan (the “Orion Option Plan”) available to directors, officers, employees, consultants and other service providers. Under the Orion Option Plan, the number of common shares to be reserved and authorized for issuance pursuant to options granted under the Orion Option Plan cannot exceed ten percent of the total number of issued and outstanding shares. The term and the vesting period of any options granted are determined at the discretion of the board of directors. The maximum term for options granted is five years. The exercise price of the option cannot be less than the five-day volume weighted average trading price of the common shares immediately preceding the day the option is granted.

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The continuity of the Orion Option Plan issued and outstanding is as follows:

	As at March 31, 2010		As at December 31, 2009	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance – beginning of period	-	-	-	-
Granted	11,802,000	1.04	-	-
Balance – end of period	11,802,000	1.04	-	-

The fair value of the stock options granted during the period under the Orion Option Plan is estimated at the grant date using the Black-Scholes option pricing model. The assumptions used in the calculation are noted below:

Risk-free interest rate	3.00%
Expected life	5 years
Expected volatility	90%
Fair value per option	\$0.714

The following table summarizes information about Orion's stock options outstanding under the Orion Option Plan at March 31, 2010:

Exercise price (\$)	Number of options	As at March 31, 2010		Number of options exercisable	As at December 31, 2009		Number of options exercisable
		Weighted average remaining contractual life (years)	Number of options		Weighted average remaining contractual life (years)	Number of options	
1.00 – 1.46	11,802,000	4.82	-	-	-	-	-

Compensation expense under the Orion Option Plan for the quarter ended March 31, 2010 was \$1.1 million (2009 - \$nil), all of which has been recorded as a non-cash stock-based compensation expense classified as a general and administrative expense.

i) Orion Performance Warrants

Orion has awarded 20.3 million performance warrants to certain employees, of which 11.6 million warrants vested immediately while the remaining warrants vest based on certain public market conditions and current price market conditions.

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The continuity of performance warrants issued and outstanding is as follows:

	As at March 31, 2010		As at December 31, 2009	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Balance – beginning of period	20,245,873	0.50	-	-
Granted	-	-	20,245,873	0.50
Balance – end of period	20,245,873	0.50	20,245,873	0.50

The fair value of the performance warrants granted is estimated at the grant date using the Black-Scholes option pricing model. The assumptions used in the calculation are noted below:

Risk-free interest rate	3.00%
Expected life	5 years
Expected volatility	90%
Fair value per option	\$0.303

The following table summarizes information about Orion's performance warrants outstanding at March 31, 2010:

Exercise price (\$)	Number of options	As at March 31, 2010		As at December 31, 2009		Number of options exercisable
		Weighted average remaining contractual life (years)	Number of options exercisable	Number of options	Weighted average remaining contractual life (years)	
0.50	20,245,873	4.25	11,569,068	20,245,873	4.75	11,569,068

Compensation expense for the quarter ended March 31, 2010 was \$nil (2009 - \$3.5 million).

j) Contributed surplus

	Amount \$000's
Balance – December 31, 2009	3,357
Stock-based compensation	1,118
Non-controlling interest (note 13)	(222)
Balance – March 31, 2010	4,253

Included in stock based compensation amount is \$32 thousand (2009 - \$20 thousand) attributed to the Company, \$1.1 million (2009 - \$nil) attributable to the Orion Option Plan and \$33 thousand (2009 - \$17 thousand) is attributable to the Waseca Plan.

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15 Related party transactions

Related party transactions not disclosed elsewhere in these consolidated financial statements are as follows:

- (a) During the first quarter of 2010, management fees of \$1.5 million (2009 - \$1.4 million) were incurred, which are payable to SCLP, an entity with directors and management in common.
- (b) Included in accounts payable and accrued liabilities as at March 31, 2010 was \$184 thousand (2009 - \$1.4 million) payable to SCLP for management fees and \$31 thousand related to directors' fee. These amounts are non-interest bearing and have no specific terms of repayment.
- (c) The Company purchased shares in Tournigan Energy Ltd ("Tournigan") from an investment fund managed by the Chairman of the Company. As at March 31, 2010 the shares in Tournigan had a fair market value of \$3.4 million. The price paid for such shares was \$3.0 million or \$0.22 per share.
- (d) An officer of One Earth Farms is also a director of Viterra Inc. ("Viterra") and it is expected that the One Earth Farms will continue to do business with Viterra from time to time. During the first quarter of 2010, \$3.3 million of crop inputs were purchased from Viterra. One Earth Farms entered into a contract and delivered 3,214 thousand tonnes of Barley and Wheat to Viterra during the period for \$379 thousand.
- (e) During the first quarter of 2010, One Earth Farms purchased 350 cattle in the amount of \$469 thousand from the company controlled by an employee.

Transactions with related parties are recorded at the exchange amount, being the price agreed between the parties.

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For the three months ended March 31, 2010

(Unaudited – expressed in Canadian dollars)

16 Segment information

The Company operates within three industry segments, energy, agriculture and corporate and other.

A summary of the consolidated balance sheets, by industry segment, is as follows:

	As at March 31, 2010			
	Energy \$000's	Agriculture \$000's	Corporate and other \$000's	Total \$000's
Assets				
Total current assets	53,735	29,604	104,146	187,485
Total non-current assets	177,082	8,012	55,277	240,371
	<u>230,817</u>	<u>37,616</u>	<u>159,423</u>	<u>427,856</u>
Liabilities				
Total current liabilities	26,360	893	353	27,606
Total non-current liabilities	22,414	-	-	22,414
	<u>48,774</u>	<u>893</u>	<u>353</u>	<u>50,020</u>
Non-controlling interest	-	-	48,719	48,719
Shareholder's equity	<u>182,043</u>	<u>36,723</u>	<u>110,351</u>	<u>329,117</u>
	<u>230,817</u>	<u>37,616</u>	<u>159,423</u>	<u>427,856</u>

Sprott Resource Corp.

Notes to the Consolidated Financial Statements For the three months ended March 31, 2010

(Unaudited – expressed in Canadian dollars)

A summary of the consolidated statement of operations, by industry segment, is as follows:

	Energy	Agriculture	Corporate and other	3 months ended Mar. 31, 2010	3 months ended Mar. 31, 2009
	3 months ended Mar. 31, 2010				
Revenue	15,136	379	-	15,515	385
Costs of production	(10,561)	(566)	-	(11,127)	(570)
	4,575	(187)	-	4,388	(185)
Other					
Interest and financing charges	-	-	-	-	-
Interest income	-	-	17	17	629
Loss on dilution from investments	-	-	(291)	(291)	-
General and administrative expense	(4,331)	(2,018)	(778)	(7,127)	(1,630)
Management and incentive fees	-	-	(1,510)	(1,510)	(1,417)
Gains on disposal of investments	-	-	183	183	1,187
Other income and expenses	(1,635)	1	228	(1,406)	245
Net loss for the period	(1,391)	(2,204)	(2,151)	(5,746)	(1,171)

A breakdown of general and administration expenses is as follows:

	Energy	Agriculture	Corporate and other	3 months ended Mar. 31, 2010	3 months ended Mar. 31, 2009
	3 months ended Mar. 31, 2010				
Capital tax expense	-	-	37	37	-
Office & administration	2,990	578	484	4,052	786
Professional fees	209	346	189	744	765
Salaries and wages	46	533	36	615	59
Stock based compensation	1,086	-	32	1,118	20
Other farm expense	-	561	-	561	-
Unproved oil and gas exploration costs	-	-	-	-	-
	4,331	2,018	778	7,127	1,630

Sprott Resource Corp.

Notes to the Consolidated Financial Statements For the three months ended March 31, 2010

(Unaudited – expressed in Canadian dollars)

17 Commitments

Contractual Obligations (\$000's)	Payments Due by Period					2014 and beyond
	Total	2010	2011	2012	2013	
Farm leases (a)	9,102	1,304	1,448	1,448	1,448	3,454
Operating lease (b)	2,007	700	607	279	183	238
Equipment lease	40	8	10	10	10	2
Operating expenditures	1,518	1,518	-	-	-	-
Total Contractual Obligations	12,667	3,530	2,065	1,737	1,641	3,694

- a) Farm leases encompass contractual agreements with First Nations regarding the rental of cultivated land for growing crops and the farming of haylands. As at March 31, 2010, approximately 62,000 acres had been leased for growing crops and approximately 1,750 acres for growing hay. The remaining term of the lease agreements ranges between 3.75 years to 8.75 years.

In the first year of each farm lease, the rents have been contractually established at a current fair value determination rate per cultivated acre. In subsequent years, One Earth Farms will pay an rent based on the fair value determination rate of the land. The fair value determination rate of the land will be determined through a defined process that will include, in part, a review by an independent professional land valuator. For the purposes of calculating the commitment in future years, management has assumed that the rent is equal to the contracted rent in the first year of the agreement.

For the hayland leases, One Earth Farms will pay the equivalent of one-half of the proceeds of the baled hay to the landowner as rent. One Earth Farms is responsible for the costs related to the production and harvesting of the hay. It is currently not possible for management to determine the proceeds of harvesting the haylands and no amount has been included in the above commitments table.

- b) Waseca's operating lease relates to leased office space in Calgary, Alberta for a three-year term commencing December 1, 2008. The estimated annual rent obligations are \$319 thousand in 2010 and \$292 thousand for 2011. Waseca has the option to extend the lease for an additional five years under the same terms and conditions currently in place. Management estimates that this option has \$nil value given current market conditions.

Orion has entered into two operating leases that both expire in 2010. The first lease expires on October 31, 2010 with an estimated rental obligation of \$108 thousand for the 10-month period. The second lease expires on November 31, 2010 and has estimated rental obligation of \$238 thousand for the 11-month period. Management is currently considering alternatives for its future premises leases.

One Earth Farms has entered into operating leases to lease office space in Saskatoon, Saskatchewan and in Calgary, Alberta. The Saskatchewan lease expires on August 31, 2014. The Calgary sublease expires on November 30, 2011. The estimated aggregate annual rent obligations are \$48 thousand in 2010, \$46 thousand in 2011, \$30 thousand in 2012 through to 2013 and \$20 thousand in 2014. Subsequent to quarter end, One Earth Farms signed a new premises lease in Saskatoon to accommodate its projected growth over the next five years. The new lease expires on June 1, 2015. The estimated aggregate annual rent obligations are \$90 thousand in 2010, \$154 thousand in 2011 through to 2014 and \$64 thousand in 2014. The company will attempt to sublease the original premises in Saskatoon to help defer the cost of the new lease.

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(Unaudited – expressed in Canadian dollars)

- c) On September 5, 2007, the Company entered into the Management Services Agreement (“MSA”) with Sprott Consulting Limited (“SCL”), a then wholly-owned subsidiary of Sprott Asset Management Inc. (“SAM”) with an initial term of three years. The MSA was approved by shareholders of the Company at a special meeting of shareholders held on August 31, 2007. Pursuant to the terms of the MSA, SCL was appointed by the Company to manage, or engage others to manage, the undertaking and affairs of the Company. In consideration for providing these services, the Company agreed to pay SCL an annual services fee equal to 2% of the net asset value (as defined in the MSA) of the Company calculated and payable at the end of each calendar quarter based on the average quarter-end net asset value of the Company and an annual incentive fee equal to 20% of: (a) the pre-tax profits of the Company for the year minus (b) the average month-end net asset value of the Company for the year multiplied by the percentage return of the Canadian 30-Year Generic Bond Index. On December 1, 2007, SCL assigned the MSA to SCLP, the successor to SCL, as part of an internal reorganization involving SAM and its subsidiaries. No amount has been included in the above commitments schedule for fees payable under this agreement.
- d) On December 22, 2009, One Earth Farms entered into the Management Services Agreement (“OEF MSA”) with SCLP, an entity with directors and management in common. Pursuant to the terms of the OEF MSA, SCLP was appointed by the Company to manage, or engage others to manage, the undertaking and affairs of One Earth Farms. In consideration for providing these services, One Earth Farms agreed to pay SCLP a services fee equal to 0.5% of the net asset value (as defined in the OEF MSA) of One Earth Farms calculated and payable at the end of each calendar quarter based on the average quarter-end net asset value of One Earth Farms. One Earth Farms may also pay a performance fee and termination fee for realizing a liquidity event (as defined in the OEF MSA) within five years of the date of the agreement. No amount has been included in the above commitments schedule for fees payable under this agreement.

18 Financial instruments and derivative financial instruments

Fair value of financial instruments

The Company’s financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, derivative financial instruments, other receivables, loans and notes receivable, investments, accounts payable and accrued liabilities, long-term debt and a bank credit facility. Cash equivalents consist of highly liquid investments held in the form of Government of Canada treasury bills, the investment terms of which are less than three months at the time of acquisition, and are all held in Canadian dollars. The Company has no asset backed commercial paper. Portfolio investments in securities of publicly traded companies are reported at fair value. The fair values of the other instruments approximate their book value due to their short-term nature.

The following table presents the classification, fair value and the levels per the fair value hierarchy where fair value is recognized in the balance sheet.

	Classification	Financial assets at fair value as at March 31, 2010			
		Level 1 \$000’s	Level 2 \$000’s	Level 3 \$000’s	Total \$000’s
Cash and cash equivalents	Held for trading	46,910	34,159	-	81,069
Derivative financial instruments	Held for trading	-	4,316	-	4,316
Portfolio investments - public	Available for sale	16,605	-	-	16,605
Portfolio investments - warrants	Held for trading	-	470	162	632
		63,515	38,945	162	102,622

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Notes to the Consolidated Financial Statements

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Commodity price risk

Several of the Company's subsidiaries are exposed to commodity price risk since their revenues are dependent on the market price of petroleum, natural gas or agricultural crops. The price of these commodities is volatile and subject to fluctuations that may have a significant effect on the ability of the companies to meet their obligations, capital spending targets or commitments and expected operational results.

The specific derivative instrument held within the Company's energy segment is a costless collar which is a combination of two option contracts that limit the holder's exposure to changes in prices to within a specific range. The "costless" nature of this derivative is achieved by buying a put option (the right to sell) for consideration equal to the premium received from selling a call option (the right to purchase).

One Earth Farms has not entered into any derivative financial contracts to manage the fluctuations of crop prices.

Orion has entered into a number of derivative financial contracts to manage the fluctuations in petroleum and natural gas commodity prices. The following contracts are outstanding at March 31, 2010:

Start date	End date	Commodity	Volume per month (Except when otherwise noted)	Floor price	Ceiling price
January 1, 2010	December 31, 2010	Oil	11,000 bbls	US\$75.00 / bbl	US\$94.30 / bbl
January 1, 2010	December 31, 2010	Gas	1,000 gj / day	C\$6.00 / gj	C\$8.70 / gj
January 1, 2010	December 31, 2010	Gas	50,000 gj	C\$6.50 / gj	C\$8.14 / gj

The estimated fair value of unrealized commodity contracts is reported on the Consolidated Balance Sheet, with any change in the unrealized positions recorded to income. The amount recorded on the Consolidated Balance Sheet as a current asset is \$4.3 million.

19 Subsequent events

The Company entered into the following transactions subsequent to March 31, 2010:

- 2010 One Earth Farms Cattle LP (a wholly owned subsidiary of One Earth Farms) purchased \$1.7 million of cattle and \$424 thousand of feed for cattle operations from an employee of One Earth Farms.
- Earth Farms purchased \$3.9 million of production machinery and equipment and \$60 thousand of fuel for the upcoming crop season.
- Stonegate Agricom closed its initial public offering and underwriters' over-allotment option of 51,750,000 units (the "Units") at a price of \$1.00 per Unit for gross proceeds of \$51,750,000 (the "Offering"). Each Unit consists of one common share ("Stonegate Common Share") and one-half of one common share purchase warrant (each whole common share purchase warrant "Stonegate Warrant") of Stonegate Agricom. Each Stonegate Warrant entitles the holder to acquire one Stonegate Common Share at an exercise price of \$1.50 until April 28, 2013. As part of the Offering, the Company subscribed for 12 million Units. A dilution gain of \$12.6 million will be recorded in the second quarter of 2010 due to the initial public offering. The Company was granted 500,000 options exercisable at a price of \$1.00 per option on April 28, 2010. Each outstanding option becomes exercisable as to 33 1/3% on a cumulative basis, at the end of each of the first, second and third years following the date of grant. The options have a five year-year term from the date of grant.