

SPROTT RESOURCE CORP.

Management's Discussion and Analysis For the Three Months Ended March 31, 2008

Introduction

Sprott Resource Corp. ("Sprott" or the "Company") is a Canadian based company. The primary purpose of the Company is to invest in mineral exploration and mining through direct acquisitions, joint ventures and equity investments. The Company also seeks to make other direct and indirect investments in the natural resource sector. The Company is listed on the Toronto Stock Exchange ("TSX") under the symbol "SCP".

The following information, prepared as of May 13, 2008, should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2008, as well as the audited consolidated financial statements for the year ended December 31, 2007 and the related management's discussion and analysis (the "Annual MD&A") contained in the 2007 Annual Report. All amounts are expressed in Canadian dollars unless otherwise indicated and prepared in accordance with Canadian generally accepted accounting principles.

Forward-Looking Statements

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "plans", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "suggests" and similar expressions.

This MD&A and in particular the "Outlook" section, contains forward-looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors.

It is important to note that:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of May 13, 2008.
- Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.
- Subject to applicable laws, the Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

The material assumptions that were applied in making the forward looking statements in this MD&A include: expectations as to the Company's future strategy and business plan; and execution of the Company's existing plans, which may change due to changes in the views of the Company or if new information arises which makes it prudent to change such plans.

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Risks and Uncertainties".

First Quarter Highlights

The first quarter was a quiet quarter for the Company. The Company made no major investments during the quarter and did not make any significant dispositions.

The Company continued to work on the Mantaro Phosphate Project in Peru, mostly by completing necessary corporate structuring work and community studies. In addition, drilling commenced on the JBP Appleton Linear Property, owned by Paragon Minerals Corporation, with which the Company has entered into an option agreement.

Results of Operations

Three month results

During the three months ended March 31, 2008, the Company reported a net loss of \$276,208 (\$0.01 loss per share) compared to net earnings of \$1,802,676 (\$0.19 earnings per share) reported in the same period of 2007. During the first quarter of 2008, the net loss was offset by equity earnings in PBS Coals Corporation ("PBS Canada") amounting to \$92,000 (2007 - \$nil). The comparative first quarter 2007 results include a dilution gain of \$2,101,743 which was recognized on the Company's investment in South American Silver Corp. ("SASC"). The fair value of the Company's share of the consideration paid by new investors in SASC exceeded the carrying value of the net assets of SASC.

General and administrative expenses increased from \$325,325 in the first quarter of 2007 to \$673,509 in the first quarter of 2008. The 2008 expense includes a management fee of \$386,194 (2007 - \$nil) payable to Sprott Consulting Limited Partnership ("SCLP") under the terms of a management services agreement. The management fee was partially offset by declines in wages and benefits from \$65,885 to \$11,260, and consulting expense from \$46,919 to \$9,826. Significant expense items also include professional fees incurred in respect of accounting and legal services which increased from \$88,787 to \$169,256.

Expenses were offset by \$294,798 (2007 - \$75,882) in interest income earned on the Company's surplus cash balance.

Capital Expenditures

During the three months ended March 31, 2008, the Company purchased portfolio investments for \$500,000 (2007 - \$nil). Subsequent to the end of the quarter, the Company invested a further US\$24 million in PBS Canada as part of a US\$64,500,000 sale of shares by PBS Canada. The proceeds raised by PBS Canada will be used to subscribe for additional shares in Mincorp Acquisition Corp. ("Mincorp"), a wholly-owned subsidiary of PBS Canada. Mincorp will use the funds to purchase for cancellation outstanding warrants and common stock. As a result of the transactions, the Company will own approximately 37% of PBS Canada and have an indirect interest of 31.6% in Mincorp.

The Company's investment in PBS Canada is accounted for using the equity method. As at March 31, 2008, the summarized assets, liabilities and results of operations of PBS Canada are as follows:

(thousands of U.S.dollars)

Total current assets	42,829
Total non-current assets	161,419
Total assets	204,248
Total current liabilities	30,889
Total non-current liabilities	80,806
Non-controlling interest	9,044
	120,739
Share capital	83,450
Deficit	59
Total liabilities and equity	204,248
Revenue	43,402
Expenses	42,872
Non-controlling interest	(283)
Net loss for equity accounting purposes	247

Deferred exploration costs incurred by Sprott in the first quarter of 2008 were \$356,712 (2007 - \$251,822). The 2008 deferred expenditures include \$250,271 incurred in respect of the drill program at the JBP – Appleton Linear property. A further \$74,578 was incurred in respect of the Mantaro phosphate project in Peru.

The 2007 comparative expenditures included costs incurred by the Company's former subsidiaries, SASC and High Desert Gold Corporation ("HDGC"). The 2007 figures were offset by a \$31,166 payment received by the Company in respect of a property agreement. Also during the first quarter of 2007, the Company ceased to consolidate the accounts of SASC and the Company's consolidated cash and cash equivalents balance was accordingly reduced by \$136,034, representing the cash held by SASC immediately prior to its initial public offering.

Summary of Quarterly Results (unaudited)

	March 31, 2008	Dec. 31, 2007	Sept. 30, 2007	June 30, 2007	March 31, 2007	Dec. 31, 2006	Sept. 30, 2006	June 30, 2006
Total Revenues	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil
Deferred exploration expenditures	\$356,712	\$147,141	\$200,553	\$241,342	\$251,822	\$231,353	\$333,821	\$178,917
Net (loss) earnings	(\$276,208)	\$1,302,769	(\$468,332)	(\$626,764)	\$1,802,676	\$292,800	(\$241,915)	(\$402,162)
Net (loss) earnings per share (basic and fully diluted)	(\$0.01)	\$0.03	(\$0.02)	(\$0.07)	\$0.19	\$0.03	(\$0.03)	(\$0.04)

The net earnings for the quarter ended December 31, 2007 included a foreign exchange gain of \$1,510,550 resulting in part from the strengthening of the U.S. dollar over the period immediately prior to the closing of the Company's investment in PBS Canada. The net earnings for the quarter ended March 31, 2007 included a \$2,101,743 dilution gain on the Company's investment in SASC. The net earnings for the quarter ended December 31, 2006 included a \$1,057,012 gain on the disposal of certain investments, and was offset by a writedown of the carrying value of the Company's mineral properties amounting to \$411,669.

Financing Activities

During the first quarter, the Company received \$761,950 from the exercise of 70,000 share purchase warrants and 439,000 stock options. During the comparative quarter, the Company received \$63,325 from the exercise of 74,500 stock options.

Liquidity and Capital Resources

The Company's aggregate operating, investing and financing activities during the three month period resulted in a net cash outflow of \$49,542. As at March 31, 2008, the Company had cash and cash equivalents of \$34.0 million (December 31, 2007 - \$34.1 million), and working capital of \$33.2 million (December 31, 2007 - \$33.6 million). Cash equivalents comprise Government of Canada treasury bills.

In addition, the Company held a portfolio of investments with a carrying value of \$11.1 million. These investments include 8.6 million shares of SASC with a quoted value of \$4.7 million and 6 million shares of HDGC with a quoted market value of \$1.2 million. The SASC and HDGC shares are subject to escrow agreements. The Company also held other equity investments in private and public companies with a carrying value of \$5.1 million.

The Company is party to a management services agreement ("MSA") with SCLP. The MSA has an initial term of three years to September 2010. Pursuant to the terms of the MSA, SCLP through its predecessor 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 has agreed to pay SCLP 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 month-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.

The Company is subject to option agreements in connection with the acquisition of mineral interests. These agreements generally require the Company to make periodic payments over a varying number of years to maintain its interests. With the exception of the firm contractual commitments outlined in the table below, the Company can cancel these agreements with proper notice at any time without completing the remaining payments and without penalty. The Company has the following contractual obligations as at March 31, 2008:

<i>Contractual Obligations</i>	<i>Total</i>	<i>Payments due by period</i>		
		<i>Less than 1 year</i>	<i>1 – 3 years</i>	<i>3 – 5 years</i>
Remaining commitment under the Paragon Option Agreement	\$180,000	\$180,000	\$nil	\$nil

Transactions with Related Parties

The Company entered into the following transactions with related parties during the three months ended March 31, 2008. Transactions with related parties are recorded at the exchange amount, being the price agreed between the parties.

During the three months ended March 31, 2008, legal fees totalling \$nil (March 31, 2007 - \$40,681) were charged by a legal firm in which a former director was a partner.

During the three months ended March 31, 2008, consulting fees totalling \$4,000 (March 31, 2007 - \$52,517) were charged by officers or former officers of the Company. Of this amount, \$4,000 (March 31, 2007 - \$35,077) was charged to loss for the period, \$nil (March 31, 2007 - \$17,440) was included in deferred property costs.

During the three months ended March 31, 2008, the Company incurred management fees of \$386,194 (March 31, 2007 - \$nil) payable to SCLP, an entity with directors and management in common.

Included in accounts payable and accrued liabilities as at March 31, 2008 was \$452,728 (December 31, 2007 - \$417,606) payable to related parties, including \$434,338 (December 31, 2007 - \$392,406) payable to SCLP. These amounts are non-interest bearing and have no specific terms of repayment.

Critical Accounting Estimates

The accounting estimates considered to be significant to the Company include the valuation of investments, the carrying value of mining claims and deferred exploration, the carrying value of intangibles, and the computation of stock-based compensation expense.

The Company's investments in available-for-sale securities having quoted market values and which are publicly traded or can be converted into publicly traded securities are recorded on the basis of period-end market bid quotations.

Management reviews the carrying value attributed to its investment in PBS Canada on at least an annual basis. As at March 31, 2008, the investment in PBS Canada was recorded at an amount of \$30,579,978. No write-down was taken during the quarter, however, there is a risk that the carrying value of the investment in PBS Canada may be written down in future quarters.

Management reviews the carrying values of its mining claims on a quarterly basis to determine whether an impairment should be recognized. In addition, capitalized costs related to abandoned properties are written off in the period of abandonment. Capitalized costs in respect of the Company's mining claims amounted to \$481,113 as at March 31, 2008. These costs may not be recoverable and there is a risk that these costs may be written down in future quarters.

The Company holds a 51% interest in Sundance Minerals Ltd. ("Sundance") and its wholly-owned subsidiary, Foundation Resources Ltd. ("Foundation"), a start-up exploration company. The interest in Foundation was acquired in 2004 and the investment was part of the Company's strategy of funding the property acquisition efforts of entrepreneurial geologists. During 2004, the Company recognized an intangible asset of \$117,400 in respect of this investment which was attributed to the management team of Foundation, including its connection to Mongolia. Sundance is currently negotiating the acquisition of additional properties and additional financing. Management reviews the carrying value attributed to this intangible asset on a quarterly basis, and during the quarter ended March 31, 2008, no writedown was taken.

The Company uses the fair-value method of accounting for stock-based compensation related to incentive stock options granted, modified or settled. Under this method, compensation cost attributable to all incentive stock options granted is measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. In determining the fair value, the Company makes estimates of the expected volatility of the stock as well as an estimated discount rate.

Changes to these estimates could result in the fair value of the stock-based compensation being less than or greater than the amount recorded. During the first quarter of 2008, the Company recorded stock-based compensation expense of \$nil (2007 - \$nil).

Recent Accounting Pronouncements

The Canadian Institute of Chartered Accountants issued the new Handbook Section 3064, "Goodwill and Intangible Assets", which will replace Section 3062, "Goodwill and Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Management is currently assessing the impact of these new accounting standards on its consolidated financial statements.

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Changes in Accounting Policies including Initial Adoption

On January 1, 2008, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"); Section 1535 "Capital Disclosures", Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation". These new requirements of Sections 1535, 3862 and 3863 are for disclosure purposes only and have not impacted the financial results of the Company.

- Capital disclosures – section 1535

Section 1535 specifies the disclosure of (i) an entity's objectives, policies, and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

- Financial instruments – sections 3862 and 3863

The new Sections 3862 and 3863 replace Section 3861, "Financial Instruments – Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. The new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how a company manages those risks.

Off-Balance Sheet Arrangements

The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or with respect to any obligations under a variable interest equity arrangement.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, investments and accounts payable. 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 90 days at the time of acquisition. 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.

As at March 31, 2008, the Company was exposed to currency exchange risks to the extent of its foreign activities principally in the United States and Peru. The Company operates in Canada and Peru and a portion of its expenses are incurred in U.S. dollars. The Company is also exposed to currency exchange risks to the extent of its investment in PBS Canada, the subsidiaries of which operate in the United States and earn income in U.S. dollars. The Company does not hedge its exposure to fluctuations in the exchange rate.

Outstanding Share Data

Authorized Capital:

Common shares, no par value, unlimited shares

Issued and outstanding:

51,741,350 common shares as at May 13, 2008.

Outstanding options, warrants, and convertible securities as at May 12, 2008:

Type of Security	Number	Exercise Price	Expiry date
Share purchase warrants	282,727	\$2.05	June 25, 2008 ⁽¹⁾
Share purchase warrants	39,920,000	\$2.50	September 5, 2009
Stock options	10,000	\$1.25	March 5, 2008 ⁽²⁾
Stock options	15,000	\$1.75	March 5, 2008 ⁽²⁾
Stock options	10,000	\$1.25	May 30, 2008
Stock options	90,000	\$1.30	August 6, 2009
Stock options	100,000	\$1.75	June 9, 2010

(1) subject to acceleration of the expiry date under certain conditions.

(2) The expiry date of these options fell within a "Black Out Period" during which a person cannot trade shares pursuant to the Company's policy. In accordance with the Company's Stock Option Plan, the expiry date of these options has been changed to the date that is the 10th business day after the end of the Black Out Period.

Risks and Uncertainties

Exploration for mineral resources involves a high degree of risk. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. The Company will attempt to mitigate such risk by maintaining a diversified portfolio. Management will also attempt to balance such risk through joint ventures with other companies.

The Company will generate most of its revenues from the proceeds of disposition from its equity investments in operating and exploration phase natural resource companies. The values of these investments are subject to general market risks and risks specific to such companies.

In addition to the risks highlighted in this MD&A, management is faced with a number of other risk factors as detailed in the Annual MD&A.

Internal Control over Financial Reporting

As at the date of this report, management is not aware of any change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Outlook

The Company ended the first quarter of 2008 in a strong financial position with working capital of \$33.2 million. This number has decreased since the end of the quarter due to the Company's additional investment in PBS Canada (described below). In addition, the Company held portfolio investments valued at \$11.1 million, plus its investment in PBS Canada.

A number of events took place subsequent to the end of the first quarter, which will affect the Company going forward. First, the Company invested an additional U.S.\$24 million in PBS Canada by electing to exercise its preemptive rights in respect of a U.S.\$64.5 million share offering by PBS Canada. PBS Canada has used the funds raised through the share offering to subscribe for shares of its subsidiary Mincorp Acquisition Corp. ("Mincorp"), which in turn has used the funds to acquire all outstanding warrants and 30 percent of the stock owned by management and employees. As a result of these transactions, PBS Canada now owns over 85 percent of Mincorp. The Company continues to own approximately 37 percent of PBS Canada.

The coal market, and in particular the metallurgical coal market, remains exceptionally strong, with record price settlements being reported. Analysts expect the market to remain strong into the foreseeable future. Management is of the view that there is a structural deficit in the market, which should support strong pricing for some time.

Also subsequent to the end of the quarter, the Company entered into a letter of intent with the parties to the Mantaro Phosphate Project exploration and option agreement, which the Company entered into in November 2007. Pursuant to the letter of intent, the Company has agreed to buy out the future interests of the parties under the original agreement for 1,771,308 common shares of the Company and U.S.\$1.5 million in cash payments. As well, the Company has agreed to make additional cash payments of up to U.S.\$4 million conditional on obtaining certain licenses, agreements and permits. Assuming a definitive agreement is reached, the Company will have 100 percent ownership of the Mantaro Phosphate Project (subject to a 2% royalty). The revised structure will provide the Company with greater flexibility to explore opportunities with joint venture partners, management groups and liquidity options.

The Company also entered into two agreements subsequent to the end of the quarter concerning the exploration for potash and phosphate. The first, with Altius, concerns the exploration of the St. George's basin in Newfoundland for potash. The Company can earn up to 60 percent of the project by spending \$2.5 million over 4 years. The second, with Lara Exploration Ltd. ("Lara"), concerns the exploration for potash, phosphate and other fertilizer feedstock minerals outside of Canada. Lara has mineral exploration experience in particular regions of the world. The Company hopes to leverage that experience into the generation of attractive fertilizer feedstock minerals projects.

The Company also announced subsequent to the end of the quarter that it has formed a new company named One Earth Resources Corp. ("One Earth"), to be headed by Mr. Blaine Favel, former Grand Chief of the Federation of Saskatchewan Indian Nations. One Earth will be focused on resource development opportunities with the First Nations. The Company will seed One Earth with initial capital and then invest in projects generated by One Earth on a case-by-case basis. Management believes that there are excellent natural resource development opportunities on First Nations' lands and is pleased to be able to work with Mr. Favel.

Finally, the Company announced, subject to shareholder, warrant holder and regulatory approval, a warrant incentive program to encourage the early exercise of 39,920,000 warrants that expire September 5, 2009. Details of this warrant incentive program are disclosed in the Company's press release dated May 13, 2008. Having early access to the additional capital provided by these warrants would give the Company the ability to grow and diversify its exposure to quality resource opportunities.

Going forward, management will continue to seek out attractive business opportunities in the natural resource sector and will work on advancing its current projects.

Other Information

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com and at the Company's website at www.sprottresource.com.