

SPROTT RESOURCE CORP.

Management's Discussion and Analysis For the Six Months Ended June 30, 2008

Introduction

Sprott Resource Corp. (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 August 14, 2008, should be read in conjunction with the Company's unaudited interim consolidated financial statements for the six months ended June 30, 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 August 14, 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".

Second Quarter Highlights

Warrant Incentive Program

On May 13, 2008, the Company announced a warrant incentive program (the "Warrant Incentive Program") to encourage the early exercise of 39,920,000 outstanding warrants that expire September 5, 2009 (the "Old Warrants"), which were issued as part of the financing completed in September 2007. The Old Warrants are exercisable at \$2.50 per share. Warrantheolders who elected to exercise their Old Warrants as part of the Warrant Incentive Program received a bonus one-half of one new common share purchase warrant (a "New Warrant"), one whole common share purchase warrant is exercisable for one common share of the Company at a price of \$4.25 until December 31, 2010, subject to the Company's ability to accelerate the expiry of the New Warrants if the trading price of the Company's common shares is equal to or greater than \$6.00 for twenty (20) consecutive trading days.

On June 24, 2008, the Company announced that it had received the shareholder, warrant holder and regulatory approvals necessary to proceed with the Warrant Incentive Program. The Warrant Incentive Program was completed on July 7, 2008, subsequent to the end of the second quarter. A total of 16,663,285 New Warrants were issued as part of the Warrant Incentive Program. A total of 3,827,430 Old Warrants remain outstanding.

Additional Investment in PBS Coals Corporation

On May 7, 2008, the Company acquired 13,194,938 common shares of PBS Coals Corporation ("PBS") for US\$23,960,820, as part of a US\$64,501,000 private placement completed by PBS. This acquisition increased the Company's holdings in PBS to 44,194,938 common shares from 31,000,000 common shares, representing approximately 37 percent of the outstanding shares of PBS. PBS used substantially all of the proceeds from the private placement to purchase shares in Mincorp Acquisition Corp. ("Mincorp"). Mincorp then purchased Mincorp shares and share purchase warrants for cancellation, the effect being that it increased PBS' interest in Mincorp to 85.12 percent from 59.84 percent.

Subsequent to the end of the second quarter, the Company sold 17,050,000 common shares of PBS into escrow for gross proceeds of \$102,300,000, as part of a treasury and secondary offering of 35,716,000 subscription receipts (each a "Security") completed by PBS at a price of \$6.00 per Security. Each Security effectively represents a right to receive a common share of PBS Coals Limited, the company to be formed from the proposed business combination between PBS and Penfold Capital Acquisition Limited ("Penfold"), upon the occurrence of release conditions including TSX approval and satisfaction of the conditions to the PBS and Penfold business combination. The aggregate proceeds from the offering, including the Company's proceeds from its sale of 17,050,000 shares of PBS, are being held in escrow pending the completion of the business combination of PBS and Penfold, expected to be completed on or before August 28, 2008.

As a result of the sale into escrow by the Company of 17,050,000 common shares of PBS completed on July 31, 2008, the Company now holds 27,144,938 common shares of PBS. Assuming the release conditions are satisfied and the business combination between PBS and Penfold is completed, the Company's interest in PBS will be reduced to approximately 19.9 percent.

Mantaro Phosphate Project

On June 13, 2008, the Company terminated the option and exploration agreement in respect of the Mantaro phosphate project and concurrently, its newly incorporated wholly-owned subsidiary, 2173177 Ontario Ltd. ("Holdco") entered into a share purchase agreement to purchase all the outstanding shares of Mantaro (BVI) Ltd. ("Mantaro BVI"). Mantaro BVI holds 99.5 percent of the outstanding shares of Mantaro Peru S.A.C. ("Mantaro Peru"), with the balance 0.5 percent now held by Holdco. Mantaro Peru holds the mineral claims relating to the Mantaro phosphate project.

The consideration paid by Holdco to the shareholders of Mantaro BVI was US\$1,500,000 and 1,771,309 shares of the Company. In addition, the former shareholders of Mantaro BVI may receive future consideration of up to US\$4 million upon the occurrence of certain project milestones, such as the obtaining of required project permitting and community agreements. As well, the former shareholders of Mantaro BVI retain a 2% gross overriding royalty ("GOR") on production from the property, subject to Holdco's ability to purchase the GOR for 2% of the net asset value of the project as determined by a bankable feasibility study.

Subsequent to the end of the second quarter, Holdco signed an agreement with Stonegate Minerals Ltd., a private Ontario corporation ("Stonegate"), to amalgamate Holdco and Stonegate. The amalgamation is subject to a definitive amalgamation agreement and Stonegate and Holdco shareholder approval. It is expected that the amalgamation will be completed by the end of August 2008. Immediately following the completion of the amalgamation and additional private placements to be completed by Stonegate and the amalgamated company ("Amalco"), the Company will own approximately 79% of the shares of Amalco and it is expected that Amalco will have working capital of approximately \$7.4 million, all of which will be provided by Stonegate and participants in the private placements.

Altius Potash Joint Venture

The Company signed an option agreement with Altius Resources Inc. ("Altius") to explore for potash in the St. George's Basin in Southwestern Newfoundland. The Company may earn up to a 60 percent interest in the St. George's project by spending \$2.5 million over four (4) years, subject to an underlying 2 percent gross sales royalty retained by Altius. The St. Georges project consists of 1,400 claims (35,00 hectares) to cover four primary target areas for potash deposits.

Results of Operations

Six month results

During the six months ended June 30, 2008, the Company reported a net income of \$6,683,035 (\$0.13 per share) compared to a net earnings of \$1,175,912 (\$0.12 earnings per share) reported in the same period of 2007. During the second quarter of 2008, the net income increased by equity earnings of \$5,080,385 in PBS Coals Corporation ("PBS").

General and administrative expenses increased from \$660,457 in the same period of 2007 to \$2,319,647 for the first six months of 2008. The 2008 expense includes a management fee of \$978,323 (2007 - \$nil) payable to Sprott Consulting Limited Partnership ("SCLP") under the terms of a management services agreement. The Company also incurred a charge under the Incentive fee program under the Management Services Agreement of \$783,150. The management and incentive fees were partially offset by declines in wages and benefits from \$110,501 to \$23,808. Significant expense items also include professional fees incurred in respect of accounting and legal services which increased slightly from \$226,898 to \$231,320. These fees relate primarily to legal fees as a result of increased transactional activity and the implementation of the warrant incentive program.

Expenses were offset by \$442,385 (2007 - \$148,833) in interest income earned on the Company's surplus cash balance, gains from the sale of investments amounting to \$3,173,274 (2007 - \$nil) and a dilution gain of \$367,877 (2007 - \$2,101,743) resulting from a financing completed by Sundance Minerals Ltd. ("Sundance"), which reduced the Company's interest in Sundance from 51 percent to 18.3 percent.

Three month results

During the three months ended June 30, 2008, the Company reported a net income of \$6,959,243 (\$0.13 per share) compared with a loss of \$626,764 (\$0.07 per share) incurred during the second quarter of 2007. General and administrative expenses increased from \$335,132 to

\$1,646,138, with the increase attributable to professional fees amounting to \$62,064 and the management and incentive fees payable to SCLP amounting to \$1,375,279.

Expenses were offset by \$147,587 in interest income (2007 - \$72,951) and gains from the sale of investments amounting to \$3,173,274 (2007 - \$nil).

Capital Expenditures

PBS Coals Corporation Investment

As noted above, on May 7, 2008, the Company acquired 13,194,938 common shares of PBS for \$23,960,820, as part of a \$64,501,000 private placement completed by PBS. This acquisition increased the Company's holdings in PBS to 44,194,938 common shares, representing approximately 37 percent of the outstanding shares of PBS. Subsequent to the end of the second quarter, the Company sold 17,050,000 common shares of PBS into escrow for gross proceeds of \$102,300,000. The proceeds from its sale of 17,050,000 shares of PBS are being held in escrow pending the completion of the business combination of PBS and Penfold.

As a result of the sale by the Company of common shares of PBS completed on July 31, 2008, the Company now holds 27,144,938 common shares of PBS. Assuming the release conditions are satisfied and the business combination between PBS and Penfold is completed, the Company's interest in PBS will be reduced to approximately 19.9 percent.

The Company's investment in PBS is accounted for using the equity method. As at June 30, 2008, the summarized assets, liabilities and results of operations of PBS are as follows:

	<i>(thousands of U.S.dollars)</i>
Total current assets	42,328
Total non-current assets	531,437
Total assets	<u>573,765</u>
Total current liabilities	49,596
Total non-current liabilities	348,963
Non-controlling interest	<u>9,068</u>
	407,627
Share capital	143,895
Retained earnings	<u>22,243</u>
Total liabilities and equity	<u>573,765</u>
Revenue	85,018
Expenses	(70,196)
Non-controlling interest	<u>(1,405)</u>
Net loss for equity accounting purposes	<u>13,417</u>

Mantaro BVI Share Purchase

As noted above, on June 13, 2008, Holdco entered into a share purchase agreement to purchase all the outstanding shares of Mantaro BVI. The consideration paid by Holdco to the shareholders of Mantaro BVI was US\$1,500,000 and 1,771,309 shares of the Company, plus future contingent consideration of up to US\$4 million.

Deferred Exploration Costs

Deferred exploration costs incurred by the Company in the six months ended June 30, 2008 were \$13,625,764 (2007 - \$493,164). The majority of the costs relate to the Mantaro Phosphate Project with the balance of these expenditures incurred to the Appleton Linear property.

Total consideration paid for the Mantaro BVI was \$9,235,190 with \$1,530,000 paid in cash and \$7,705,190 paid in shares. For accounting purposes this has been treated as a purchase of assets. The full value of the consideration paid plus the future income tax liability assumed, being \$3,975,000 has been recorded to mining claims. No other identifiable assets or liabilities exist for Mantero BVI.

Summary of Quarterly Results (unaudited)

	June 30, 2008	March 31, 2008	Dec. 31, 2007	Sept. 30, 2007	June 30, 2007	March 31, 2007	Dec. 31, 2006	Sept. 30, 2006
Total Revenues	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil
Deferred exploration expenditures	\$13,269,052	\$356,712	\$147,141	\$200,553	\$241,342	\$251,822	\$231,353	\$333,821
Net (loss) earnings	\$6,959,243	(\$276,208)	\$1,302,769	(\$468,332)	(\$626,764)	\$1,802,676	\$292,800	(\$241,915)
Net earnings (loss) per share basic	\$0.13	(\$0.01)	\$0.03	(\$0.02)	(\$0.07)	\$0.19	\$0.03	(\$0.03)

The net earnings for the quarter ended June 30, 2008 included a \$3,173,274 gain from the sale of investments and \$4,988,385 equity earnings of PBS. 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. 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 second quarter, the Company received \$48,603,810 from the exercise of 19,550,516 share purchase warrants and 35,000 stock options. There were no options exercised during the comparative quarter. During the six months period ended June 30, 2008, the Company received \$48,696,060 from the exercise of share purchase warrants and \$669,700 from the exercise of stock options. During the six months period ended June 30, 2007 last year the Company received \$63,325 from the exercise of stock options.

Liquidity and Capital Resources

The Company's aggregate operating, investing and financing activities during the six month period ended June 30, 2008 resulted in a net cash inflow of \$25,458,512. As at June 30, 2008, the Company had cash and cash equivalents of \$59.5 million (December 31, 2007 - \$34.1 million), and

working capital of \$58.1 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 South American Silver Corp. ("SASC") with a quoted value of \$2.4 million and 6 million shares of High Desert Gold Corporation ("HDGC") with a quoted market value of \$1.0 million. A total of 2,150,000 shares of SASC and 3,000,000 shares of HDGC are subject to escrow agreements. The Company also held other equity investments in private and public companies with a carrying value of \$7.7 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.

Transactions with Related Parties

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

During the three months ended June 30, 2008:

- Aggregate legal fees of \$nil (June 30, 2007 - \$120,941) were charged by a legal firm in which a former director was a partner.
- Consulting fees of \$8,124 (June 30, 2007 - \$38,743) were charged by officers or former officers of the Company. Of this amount \$8,124 was charged to loss (June 30, 2007- \$27,243), \$nil was included in deferred property tax (June 30, 2007 - \$11,500).
- Management fees of \$592,129 (June 30, 2007 - \$nil) were incurred, which are payable to Sprott Consulting Limited Partnership ("SCLP"), and entity with directors and management in common. Under the management services agreement there is an annual incentive fee payable to SCLP based upon the excess of 20% net profit before income tax less the average net asset value of the company multiplied by the Canadian 30 year generic bond index. The amount accrued for this to the three months is \$738,150 (June 30, 2007 - \$nil).

During the six months ended June 30, 2008:

- Aggregate legal fees of \$nil (June 30, 2007 - \$161,622) were charged by a legal firm in which a former director was a partner.
- Consulting fees of \$12,124 (June 30, 2007 - \$91,260) were charged by officers or former officers of the Company. Of this amount \$12,124 was charged to loss (June 30, 2007- \$62,320), \$nil was included in deferred property tax (June 30, 2007 - \$28,940).
- Management fees of \$978,323 (June 30, 2007 - \$nil) were incurred, which are payable to Sprott Consulting Limited Partnership ("SCLP"), and entity with directors and

management in common. Under the management services agreement there is an annual incentive fee payable to SCLP based upon the excess of 20% net profit before income tax less the average net asset value of the company multiplied by the Canadian 30 year generic bond index. The amount accrued for this to the six months is \$738,150 (June 30, 2007 - \$nil).

- Included in accounts payable and accrued liabilities as at June 30, 2008 was \$1,379,203 (December 31, 2007 - \$417,606) payable to directors, officers and company, including \$1,375,279 (December 31, 2007 - \$392,406) payable to SCLP. These amounts are non-interest bearing and have no specific terms of repayment.

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

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, the computation of stock-based compensation expense, and the valuation of warrants.

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 on at least an annual basis. As at June 30, 2008, the investment in PBS was recorded at an amount of \$60,015,587. No write-down was taken during the quarter, however, there is a risk that the carrying value of the investment in PBS 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 \$13,750,165 as at June 30, 2008. These costs may not be recoverable and there is a risk that these costs may be written down in future quarters.

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 six months of 2008, the Company recorded stock-based compensation expense of \$nil (2007 - \$nil).

Recent accounting pronouncement

Future accounting and reporting changes

The CICA issued the new Handbook Section 3064, "Goodwill and Intangible Assets", which will replace Section 3062, "Goodwill and Other 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.

International Financial Reporting Standards ("IFRS")

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 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 June 30, 2008, the Company was exposed to currency exchange risks to the extent of its 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, 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:

89,697,224 common shares as at August 14, 2008.

Outstanding options, warrants, and convertible securities as at August 14, 2008:

Type of Security	Number	Exercise Price	Expiry date
Share purchase warrants	3,982,430	\$2.50	September 5, 2009
Share purchase warrants	16,585,785	\$4.25	December 31, 2010 (1)
Stock options	90,000	\$1.30	August 6, 2009
Stock options	100,000	\$1.75	June 9, 2010

(1) The expiry date of these warrants may be accelerated by the Company if the Company's share price closes at or above \$6.00 per share for twenty (20) consecutive trading days.

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 and through the use of option agreements. 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.

The Company will also invest primarily in private companies for which there is no liquid market. The Company's holdings in such companies may also be restricted pursuant to shareholder agreements, lock-up agreements or escrow agreements. These factors may prevent the Company from being able to sell its holdings at an optimal point in time.

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 second quarter was an active one for the Company. The Company completed an additional investment in PBS, as well as the purchase of shares of Mantaro BVI. It also completed the Warrant Incentive Program. Subsequent to the end of the quarter, the Company sold

17,050,000 shares of PBS into escrow and signed an agreement to amalgamate Holdco with Stonegate.

In respect of its sale of 17,050,000 shares of PBS into escrow, assuming the release conditions are satisfied, the Company will receive gross proceeds of \$102,300,000. The Company continues to hold 27,144,938 shares of PBS.

The Company ended the second quarter of 2008 in a strong financial position with working capital of \$58.1 million and received an additional \$43,146,135 in cash from warrant exercises subsequent to the end of the quarter. In addition, the Company held portfolio investments valued at \$11.1 million, plus its investment in PBS. The gross proceeds from the sale of 17,050,000 shares of PBS will provide additional working capital.

Concerning the Mantaro phosphate project, as noted above, Holdco signed an agreement to merge with Stonegate. The amalgamation will provide the project with initial working capital to conduct community consultations and initial exploration on the property. The key principals of Stonegate, Ian McDonald and Kerry Knoll, will be involved in the management of Amalco and oversee the project's development.

Going forward, management will continue to seek out attractive business opportunities in the natural resource sector. The recent downturn in the equity markets and in the credit markets has made it more difficult for companies to raise capital. The Company hopes to be able to take advantage of these conditions to acquire assets at attractive valuations.

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.