

Sprott Resource Corp.

Consolidated Financial Statements

Third Quarter Ended September 30, 2010

(Unaudited – *expressed in Canadian dollars*)

Sprott Resource Corp.

Consolidated Balance Sheets

As at September 30, 2010

(Unaudited – expressed in Canadian dollars)

	Sep. 30, 2010	Dec. 31, 2009
	\$000's	\$000's
Assets		
Current Assets		
Cash and cash equivalents	51,354	107,085
Gold bullion (note 4)	75,392	75,392
Accounts receivable	17,208	7,500
Prepaid and other receivables	4,442	5,520
Crop and short-term livestock inventory (note 8)	6,704	1,256
Derivative financial instruments (note 18)	1,242	1,210
	<u>156,342</u>	<u>197,963</u>
Investments (note 5)	44,138	33,750
Investment in Stonegate Agricom Ltd. (note 7)	34,797	14,069
Loans and promissory notes receivable	150	150
Property, plant and equipment, net of accumulated depletion, depreciation and amortization (note 10)	195,279	148,589
Long term livestock inventory	2,334	586
Future income tax assets	13,646	13,495
	<u>446,686</u>	<u>408,602</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	38,991	21,678
Income and capital tax payable	77	252
	<u>39,068</u>	<u>21,930</u>
Bank credit facility (note 12)	11,587	2,052
Asset retirement obligation (note 11)	5,355	4,110
	<u>56,010</u>	<u>28,092</u>
Non-controlling interest (note 13)	47,054	45,948
Shareholders' Equity		
Capital stock (note 14b)	238,824	213,747
Warrants (note 14d)	34,677	44,305
Contributed surplus (note 14j)	6,545	3,357
	<u>280,046</u>	<u>261,409</u>
Retained earnings	64,376	72,896
Accumulated other comprehensive income (loss)	(800)	257
	<u>343,622</u>	<u>334,562</u>
	<u>446,686</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 and nine months ended September 30, 2010

(Unaudited – expressed in Canadian dollars)

	Three months ended		Nine months ended	
	Sep. 30, 2010	Sep. 30, 2009	Sep. 30, 2010	Sep. 30, 2009
	\$000's	\$000's	\$000's	\$000's
Revenue				
Oil and gas revenue	21,207	980	61,311	2,444
Oil and gas royalties	(2,485)	(281)	(8,607)	(696)
Farming revenue	2,786	967	4,867	967
	<u>21,508</u>	<u>1,666</u>	<u>57,571</u>	<u>2,715</u>
Other income and expenses				
Oil and gas production costs	15,435	1,251	39,905	2,194
Farm production costs	2,777	817	4,878	817
Other farm expenses	2,012	-	4,710	-
General and administrative expense (note 16)	6,524	2,217	21,646	6,498
Management fees (notes 15 and 17)	1,659	1,493	4,563	4,362
Interest expense	294	-	733	-
Gains on disposal of investments	11	(869)	(1,086)	(6,099)
Gain on dilution from investments (note 7 and 13)	-	(1)	(12,332)	(361)
Foreign exchange loss	3	169	45	180
Interest and other (income) expense	260	(189)	210	(976)
Realized gain on derivative instruments (note 18)	(337)	-	(398)	-
Unrealized gain on derivatives instruments (note 18)	2,105	-	1,773	-
Unrealized loss (gain) on investments held for trading (note 5)	(191)	426	227	426
	<u>30,552</u>	<u>5,314</u>	<u>64,874</u>	<u>7,041</u>
Earnings (loss) before income taxes	<u>(9,044)</u>	<u>(3,648)</u>	<u>(7,303)</u>	<u>(4,326)</u>
Provision for income taxes				
Current income tax recovery (expense)	-	-	-	(530)
Future income tax (expense) recovery	2,345	613	(414)	1,423
	<u>2,345</u>	<u>613</u>	<u>(414)</u>	<u>893</u>
Equity loss of Stonegate Agricom Ltd. (note 7)	(1,250)	(367)	(3,957)	(1,127)
Non-controlling interest (note 13)	1,035	362	3,313	839
Net income (loss) for the period	<u>(6,914)</u>	<u>(3,040)</u>	<u>(8,361)</u>	<u>(3,721)</u>
Retained earnings - Beginning of period				
	71,290	79,942	72,896	80,623
Share buyback (note 14e)	-	(69)	(159)	(69)
Retained earnings - End of period	<u>64,376</u>	<u>76,833</u>	<u>64,376</u>	<u>76,833</u>
Basic earnings (loss) per share	(0.07)	(0.04)	(0.09)	(0.05)
Fully diluted earnings (loss) per share	(0.07)	(0.04)	(0.09)	(0.05)
Weighted average shares outstanding during the period				
Basic	96,674,057	83,117,483	96,351,837	82,265,276
Fully diluted	96,730,330	83,161,336	96,446,920	82,303,361

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 and nine months ended September 30, 2010

(Unaudited – expressed in Canadian dollars)

	Three months ended		Nine months ended	
	Sep. 30, 2010	Sep. 30, 2009	Sep. 30, 2010	Sep. 30, 2009
	\$000's	\$000's	\$000's	\$000's
Net earnings (loss) for the period before other comprehensive income	(6,914)	(3,040)	(8,361)	(3,721)
Unrealized gains (losses) on available for sale investments (note 5)	4,725	(1,099)	(40)	11,247
Loss (gains) on disposal of investments	11	(869)	(1,086)	(6,099)
Future income taxes on available for sale investments	(596)	256	69	(160)
Comprehensive income (loss) for the period, net of tax	(2,774)	(4,752)	(9,418)	1,267
Accumulated other comprehensive income (loss) – beginning of period	(4,940)	2,180	257	(4,520)
Unrealized gains (losses) on available for sale investments (note 5)	4,725	(1,968)	(40)	5,148
Loss (gains) on disposal of investments	11	-	(1,086)	-
Future income taxes on available for sale investments	(596)	256	69	(160)
Accumulated other comprehensive income – end of period, net of tax	(800)	468	(800)	468

The accompanying notes are an integral part of these financial statements

Sprott Resource Corp.
Consolidated Statement of Cash Flows
For the three and nine months ended September 30, 2010

(Unaudited – expressed in Canadian dollars)

	Three months ended		Nine months ended	
	Sep. 30, 2010 \$000's	Sep. 30, 2009 \$000's	Sep. 30, 2010 \$000's	Sep. 30, 2009 \$000's
Cash flows from (used in) operating activities				
Net income (loss) for the period	(6,914)	(3,040)	(8,361)	(3,721)
Items not affecting cash				
Loss (gain) on disposal of investments	11	(869)	(1,086)	(6,099)
Unrealized loss on derivative instruments	2,105	-	1,773	-
Unrealized (gain) loss on investments held for trading	(191)	426	227	426
Market value changes to inventory	(308)	-	(86)	-
Impairment of investments	293	-	293	-
Gain on dilution from investments	-	(1)	(12,332)	(361)
Equity loss of Stonegate Agricom Ltd.	1,250	367	3,957	1,127
Depletion, depreciation and amortization	9,538	221	21,740	536
Asset retirement obligation accretion	108	1	341	4
Future income tax expense (recovery)	(2,345)	(617)	414	(1,420)
Income & capital tax expense	-	-	-	530
Non-controlling interest	(1,035)	(362)	(3,313)	(839)
Stock-based compensation	1,516	41	4,133	114
Write down of mining claims and deferred exploration	-	-	-	22
	<u>4,028</u>	<u>(3,833)</u>	<u>7,700</u>	<u>(9,681)</u>
Changes in non-cash operating working capital				
Change in prepaids and other receivables	(310)	(420)	1,078	(2,594)
Change in crop and livestock inventory	(738)	226	(5,448)	(2,159)
Change in accounts receivable and note receivable	(549)	(100)	(10,111)	(47)
Change in accounts payable and accrued liabilities	4,138	235	9,297	(19,053)
Change in derivative financial instruments	1,293	-	(1,805)	-
Change in taxes payable	-	-	(175)	-
	<u>7,862</u>	<u>(3,892)</u>	<u>536</u>	<u>(33,534)</u>

Consolidated Statement of Cash Flows continued on next page

Sprott Resource Corp.
Consolidated Statement of Cash Flows
For the three and nine months ended September 30, 2010

(Unaudited – expressed in Canadian dollars)

	Three months ended		Nine months ended	
	Sep. 30, 2010	Sep. 30, 2009	Sep. 30, 2010	Sep. 30, 2009
	\$000's	\$000's	\$000's	\$000's
Cash flows from (used in) investing activities				
Purchase of gold bullion	-	(25,947)	-	(25,947)
Purchase of short-term investments	-	(14,984)	-	(54,450)
Deposit for purchase of long term assets	-	-	-	-
Deferred exploration expenditures	-	(9)	-	(212)
Purchase of investments	-	(7,312)	(13,861)	(20,605)
Investment in Stonegate Agricom Ltd.	-	-	(12,062)	-
Proceeds on sale of investments	423	2,316	2,912	15,374
Proceeds of matured short-term investments	-	37,581	-	136,821
Proceeds of short-term investments sold	-	-	-	-
Purchase of property, plant and equipment	(26,307)	(1,804)	(67,257)	(3,772)
Change in accounts payable and accrued liabilities	17,816	-	8,019	-
Proceeds on sale of long-term livestock inventory	294	-	294	-
Investment in long-term inventory	-	-	(1,956)	-
	(7,774)	(10,159)	(83,911)	47,209
Cash flows from (used in) financing activities				
Financing in Waseca Energy Inc.	-	-	2,925	-
Proceeds from bank credit facility	(9,669)	-	9,533	-
Proceeds from issuance of capital stock	-	-	-	-
Proceeds from exercise of warrants	15,198	7,832	15,326	8,332
Proceeds from exercise of options	-	117	175	117
Repurchase of capital stock	-	(214)	(315)	(214)
	5,529	7,735	27,644	8,235
Change in cash and cash equivalents	5,617	(6,316)	(55,731)	21,910
Cash and cash equivalents – Beginning of period	45,737	73,490	107,085	45,264
Cash and cash equivalents – End of period	51,354	67,174	51,354	67,174
Cash and cash equivalents are comprised of:				
Cash	34,863	67,174	34,863	67,174
Short-term investments	16,491	-	16,491	-
	51,354	67,174	51,354	67,174

The accompanying notes are an integral part of these financial statements

Sprott Resource Corp.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 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 and operate in the natural resource sector through acquisitions, joint ventures and the creation of new companies.

As at September 30, 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” or “OEOG”). In addition, the Company equity accounts for Stonegate Agricom Ltd. (“Stonegate Agricom”).

The Company’s ownership in these entities is as follows:

	September 30, 2010 Ownership (%)	December 31, 2009 Ownership (%)
Energy		
Orion	78.9	79.3
Waseca	81.3	79.0
One Earth Oil & Gas	100.0	100.0
Agriculture		
One Earth Farms	66.7	66.7
Stonegate Agricom	54.3	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.

3 Future accounting and reporting changes

a) Comprehensive Revaluation of Assets and Liabilities, and Equity

The CICA has amended CICA Handbook Section 1625, Comprehensive Revaluation of Assets and Liabilities, and CICA Handbook Section 3251, Equity, to conform with the previously issued CICA Sections 1582, 1601 and 1602. The amendments to CICA Handbook Section 1625 and Section 3251 apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently evaluating the impact of the adoption of these sections.

Sprott Resource Corp.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2010

(Unaudited – expressed in Canadian dollars)

b) 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 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 Sections 1582, 1601 and 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.

The Company is currently evaluating the impact of all three sections, which must be adopted concurrently.

4 Gold bullion

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

Bullion	Ounces	As at September 30, 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	99,694	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	9 Months
	Ended	Ended
	September 30,	September 30,
	2010	2010
	\$000's	\$000's
Opening balance	39,938	33,750
Acquisitions during the period	-	13,860
Unrealized gains (losses) on available for sale securities during the period	4,725	(40)
Unrealized gain (loss) on held for trading securities during the period	191	(227)
Impairment of investments	(293)	(293)
Proceeds on disposal of investments at fair market value	(423)	(2,912)
Closing balance at fair value – September 30, 2010	44,138	44,138

Sprott Resource Corp.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 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)	Classification	As at	
		September 30, 2010 \$000's	Dec. 31, 2009 \$000's
Public Securities – common shares	Available for sale	14,865	17,815
Public Securities – warrants	Held for trading	324	552
Private Securities – common shares	Available for sale	28,949	15,221
Private Securities – warrants	Held for trading	-	162
Total Investments		44,138	33,750

6 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 106.7 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.

7 Investment in Stonegate Agricom Ltd.

Stonegate Agricom completed an initial public offering (TSX: ST) in the second quarter which resulted in a dilution of the Company's interest. A dilution gain of \$12.6 million was recorded as a result. Stonegate holds mineral claims relating to the Mantaro Phosphate Project located in Peru and the Paris Hills property in Idaho.

The Company owns 75.7 million common shares and 6.0 million common share purchase warrants representing a 54.3% 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 until April 28, 2013, provided that one such nominee is a representative of the Company.

Sprott Resource Corp.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2010

(Unaudited – expressed in Canadian dollars)

A summary of 100% of the assets and liabilities of Stonegate Agricom as at September 30, 2010 and the results of operations for the period ending September 30, 2010 are as follows:

	As at			
	September 30, 2010 \$000's	Dec. 31, 2009 \$000's		
Assets				
Total current assets	45,965	3,432		
Total non-current assets	25,288	20,295		
	<u>71,253</u>	<u>23,727</u>		
Liabilities				
Total current liabilities	2,243	336		
Total non-current liabilities	4,129	4,014		
	<u>6,372</u>	<u>4,350</u>		
Shareholder's Equity				
Share capital	69,927	21,695		
Contributed surplus	4,370	324		
Deficit	(9,415)	(2,642)		
	<u>71,253</u>	<u>23,727</u>		
	3-Month	3-Month	9-Month	9-Month
	Period Ended	Period Ended	Period Ended	Period Ended
	September	September	September	September
	30,	30,	30,	30,
	2010	2009	2010	2009
	\$000's	\$000's	\$000's	\$000's
Revenue	-	-	-	-
Expenses	(2,368)	(475)	(6,773)	(1,561)
Loss before income taxes	<u>(2,368)</u>	<u>(475)</u>	<u>(6,773)</u>	<u>(1,561)</u>
Future income taxes	-	-	-	123
Loss for the period	<u>(2,368)</u>	<u>(475)</u>	<u>(6,773)</u>	<u>(1,437)</u>
Company's share of equity loss of Stonegate Agricom	<u>(1,250)</u>	<u>(367)</u>	<u>(3,957)</u>	<u>(1,127)</u>

The investment in Stonegate Agricom is as follows:

	3-Month	9-Month
	Period Ended	Period Ended
	September 30,	September 30,
	2010	2010
	\$000's	\$000's
Balance – beginning of period	36,047	14,069
Share of loss for the period	(1,250)	(3,957)
Acquisitions	-	12,062
Gain on dilution	-	12,623
Balance – end of period	<u>34,797</u>	<u>34,797</u>

Sprott Resource Corp.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2010

(Unaudited – expressed in Canadian dollars)

8 One Earth Farms Corp.

One Earth Farms operates a farming business on leased 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 entitled the Company to one common share of One Earth Farms, and one common share purchase warrant exercisable at \$1.00 for a period of five years, expiring on March 3, 2014. As at September 30, 2010, the Company's common shares represent 66.7% of One Earth Farms' outstanding common shares.

For the nine months ended September 30, 2010, One Earth Farms recorded \$4.9 million (2009 - 954 thousand) of revenue from grain and livestock sales, custom farm management, crop insurance proceeds and market value changes to inventory. Costs of production were \$4.9 million. Details are as follows:

	3 Month Period Ended September 30, 2010 \$000's	9 Month Period Ended September 30, 2010 \$000's
Grain and livestock sales	692	2,177
Custom farm management	133	949
Crop insurance proceeds	1,633	1,633
Market value changes to inventory	329	109
Production costs ^{1,2}	(2,777)	(4,878)
Gross profit (loss) on farming operations	10	(10)

1. Included in grain 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.
2. Included in livestock production costs are direct labour, cattle feed, veterinary and other miscellaneous costs.

One Earth Farm's schedule of crop and short term inventory is as follows:

	Sep. 30, 2010 Balance \$000's	Dec. 31, 2009 Balance \$000's
Crop production inputs	678	-
Standing crop inventory	4,481	-
Wheat	476	315
Canola	400	-
Barley	48	154
Peas	15	-
Yearling calves	77	647
Cattle feed	200	140
Adjustments to net realizable value	329	-
Closing Balance	6,704	1,256

Sprott Resource Corp.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2010

(Unaudited – expressed in Canadian dollars)

9 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 in Orion. Orion currently has 290.7 million shares issued and outstanding and 324.7 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 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.

10 Property, plant and equipment

	As at September 30, 2010			As at December 31, 2009		
	Cost \$000's	Accumulated Depletion and Depreciation \$000's	Net Book Value \$000's	Cost \$000's	Accumulated Depletion and Depreciation \$000's	Net Book Value \$000's
Oil and gas properties and equipment	202,203	(21,304)	180,899	149,645	(3,061)	146,584
Farm equipment	15,738	(1,358)	14,380	2,210	(223)	1,987
Other property, plant and equipment	33	(33)	-	38	(20)	18
	217,974	(22,695)	195,279	151,893	(3,304)	148,589

11 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)	2 - 30	7
Future undiscounted liability (\$000's)	17,673	1,378

Sprott Resource Corp.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2010

(Unaudited – expressed in Canadian dollars)

The future undiscounted amount of the ARO is estimated at \$19.0 million. All accretion expenses related to the ARO are included within depreciation, depletion and amortization.

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

	As at September 30, 2010			As at 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	406	476	882	340
Adjustment due to changed assumptions	(34)	57	23	-
Accretion	304	36	340	64
Liability – end of period	4,452	903	5,355	4,110

12 Bank Credit Facility

Orion has drawn \$11.6 million as at September 30, 2010 on a \$60 million revolving term credit facility with a Canadian chartered bank. The first revolving period will end on December 8, 2010. If the revolving term credit facility is not renewed, it will convert to a 365-day term loan. Amounts drawn under this facility are in 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 1.50% and 5.25% per annum based on Orion's debt to EBITDA ratio prescribed in the loan agreement. Orion's credit facility is currently priced at a spread over Canadian Schedule 1 Bankers' Acceptances ("BA") or Prime, which was 175 basis points ("bps") throughout the first and second quarters of 2010 (revised to 150 bps effective July 20, 2010), with the total interest rate having been 400 bps from January 1 to June 1, 2010; 425 bps from June 1 to July 20, 2010, and 400 bps thereafter. This facility is collateralized by a first priority security interest on all present and after acquired property by Orion. Orion was in compliance with its bank loan covenants at September 30, 2010.

13 Non-controlling interest

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

	Orion	Waseca	One Earth	Total
	\$000's	\$000's	Farms \$000's	\$000's
Balance – December 31, 2009	27,466	5,485	12,997	45,948
Current period operations	58	(305)	(3,068)	(3,315)
Financing in subsidiaries	62	3,226	-	3,288
Contributed surplus of non-controlling interests	829	13	-	842
(Gain) Loss on dilution	291	-	-	291
Balance – September 30, 2010	28,706	8,419	9,929	47,054

Sprott Resource Corp.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2010

(Unaudited – expressed in Canadian dollars)

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 and 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 September 30, 2010.

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 9)	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	3,606,000	15,326
Fair value of warrants exercised	-	9,628
Exercise of stock options	100,000	175
Fair value of stock options exercised	-	104
Normal course issuer bid – repurchase of capital stock (note 14(e))	(70,000)	(156)
Balance – September 30, 2010	99,827,427	238,824

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 grant is 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 can not exceed ten years, subject to extension in the event that the expiry date falls within a "blackout" period.

	For the nine month period ended September 30, 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	120,000	4.41	75,000	2.98
Exercised	(100,000)	1.75	(90,000)	1.30
Balance – end of period	270,000	3.71	250,000	2.59

Sprott Resource Corp.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2010

(Unaudited – expressed in Canadian dollars)

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:

	<u>2010</u>	<u>2009</u>
Risk-free interest rate	2.32%	2.69%
Expected life	5 years	5 years
Expected volatility	39.8%	75%
Fair value per option	\$ 1.68	\$ 1.86

The following table summarizes information about the Company's stock options outstanding and exercisable at September 30, 2010 and December 31, 2009.

Exercise price (\$)	As at September 30, 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	0.44	100,000
3.32	75,000	2.91	50,000	75,000	3.65	25,000
2.98	75,000	3.92	25,000	75,000	4.67	-
4.41	120,000	4.88	-	-	-	-
3.15	270,000	4.07	75,000	250,000	2.67	125,000

Compensation expense for the three month period ending September 30, 2010 was \$40 thousand (2009 – \$24 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 nine month period ended September 30, 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	16,564,284	4.25	44,305	20,449,714	3.92	45,036
Warrants exercised	(3,606,000)	4.25	(9,628)	(3,332,800)	2.50	(632)
Warrants expired	-	-	-	(522,630)	2.50	(99)
Balance – end of period	12,958,284	4.25	34,677	16,594,284	4.25	44,305

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

Sprott Resource Corp.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2010

(Unaudited – expressed in Canadian dollars)

e) Normal Course Issuer Bid

On August 30, 2010, the Company received approval from the TSX to begin a Normal Course Issuer Bid (“NCIB”) to repurchase and cancel up to 7.0 million common shares, representing 9.38% of the unrestricted public float and 7.237% of the total number of issued and outstanding shares at that time. During the third quarter of 2010, the Company did not purchase or cancel any common shares under the NCIB. The Company believes that it is in the best interest of its shareholders to purchase shares for cancellation when management believes they are trading at a significant discount relative to their value.

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 grant is 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 cannot exceed five years.

	As at September 30, 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	3,168,362	0.60	274,400	0.60
Forfeited	(58,667)	0.60	-	-
Balance – end of period	5,634,095	0.60	2,524,400	0.60

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	2.22% to 3.11%
Expected life	5 years
Expected volatility	Nil%
Fair value per option	\$0.06 to \$0.08

The following table summarizes information about Waseca’s stock options outstanding under the Waseca Plan at September 30, 2010:

Exercise price (\$)	As at September 30, 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
0.60	5,634,095	3.8	877,594	2,524,400	3.75	750,000

Waseca recorded stock-based compensation expense of \$36 thousand and \$103 thousand for the three and nine month periods ended September 30, 2010, respectively (2009 - \$17 thousand and \$50 thousand), all of which has been recorded in general and administrative expense.

Sprott Resource Corp.

Notes to the Consolidated Financial Statements

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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 September 30, 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	5,667,620	0.60	473,800	0.60
Forfeiture	(132,000)	0.60	-	-
Balance – end of period	10,459,420	0.60	4,923,800	0.60

Transaction value ¹ (\$)	As at September 30, 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	2,614,855	3.8	-	1,230,950	3.75	-
0.90	2,614,855	3.8	-	1,230,950	3.75	-
1.20	2,614,855	3.8	-	1,230,950	3.75	-
1.50	2,614,855	3.8	-	1,230,950	3.75	-
	10,459,420	3.8	-	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 September 30, 2010, neither a liquidity event nor a public transaction had occurred and therefore the fair value of the Performance Shares has 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 options 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 September 30, 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	15,477,000	1.08	-	-
Forfeiture	(1,725,000)	1.01	-	-
Balance – end of period	13,752,000	1.08	-	-

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. A 4% forfeiture rate was used to estimate Orion's stock-based compensation expense for the three and nine months ended September 30, 2010 (June 30, 2010: 4%; March 31, 2010: 0%).

The assumptions used in the Black-Scholes option pricing model calculation are noted below:

Risk-free interest rate	3.00%
Expected life	5 years
Expected volatility	90%
Expected dividend rate	0%

The following table summarizes information about Orion's stock options outstanding under the Orion Option Plan at September 30, 2010:

Exercise price (\$)	As at September 30, 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
1.00 – 1.46	13,752,000	4.3	-	-	-	-

Orion recorded stock-based compensation expense of \$1.4 million and \$3.9 million for the three and nine month periods ended September 30, 2010, respectively (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.

Sprott Resource Corp.

Notes to the Consolidated Financial Statements

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(Unaudited – expressed in Canadian dollars)

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

	As at September 30, 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 during the period ended December 31, 2009 was estimated at \$0.303 per option 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%
Expected dividend rate	0%

The following table summarizes information about Orion's performance warrants outstanding at September 30, 2010:

Exercise price (\$)	As at September 30, 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
0.50	20,245,873	4.0	11,569,068	20,245,873	4.75	11,569,068

No stock-based compensation expense related to the performance warrants has been recorded for the three and nine month periods ended September 30, 2010 (December 31, 2009: \$3.5 million).

j) Contributed surplus

	Amount \$000's
Balance – December 31, 2009	3,357
Stock-based compensation	4,133
Stock options exercised	(104)
Non-controlling interest (note 13)	(841)
Balance – September 30, 2010	6,545

Included in the stock based compensation amount is \$104 thousand (2009 - \$64 thousand) attributable to the Company, \$3.9 million (2009 - \$nil) attributable to the Orion Option Plan and \$103 thousand (2009 - \$50 thousand) is attributable to the Waseca Plan.

Sprott Resource Corp.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2010

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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 third quarter of 2010, management fees of \$1.7 million (2009 - \$1.5 million) were incurred, which are payable to SCLP, an entity with directors and officers in common.
- (b) An officer of One Earth Farms is also a director of Viterra Inc. (“Viterra”) and the Company expects to continue to conduct business with Viterra from time to time. During the nine month period, \$4.2 million (2009 - \$32 thousand) of crop inputs and storage bins were purchased from Viterra. During the third quarter One Earth Farms delivered 737 tonnes of canola valued at \$288 thousand and 1,170 tonnes of hard red spring wheat valued \$331 thousand to Viterra.
- (c) One Earth Farms transferred \$2 million to Ag Growth International, a shareholder of One Earth Farms, on account for future purchases of equipment and supplies by One Earth Farms. The terms and conditions of such future purchases are agreed to at the time of a purchase order. During the period, One Earth Farms applied \$379 thousand of purchases to reduce the prepaid balance.

Transactions with related parties are recorded at the exchange amount, being the price agreed between the parties. Transactions in the normal course of business were measured at the monetary exchange amount which is the amount of consideration established, agreed to and paid by the related parties based on standard commercial terms.

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 September 30, 2010			
	Energy \$000's	Agriculture \$000's	Corporate and other \$000's	Total \$000's
Assets				
Total current assets	43,678	15,762	96,902	156,342
Total non-current assets	189,688	16,715	83,941	290,344
	<u>233,366</u>	<u>32,477</u>	<u>180,843</u>	<u>446,686</u>
Liabilities				
Total current liabilities	36,065	2,753	250	39,068
Total non-current liabilities	16,942	-	-	16,942
	<u>53,007</u>	<u>2,753</u>	<u>250</u>	<u>56,010</u>
Non-controlling interest	-	-	47,054	47,054
Shareholder's equity	<u>180,359</u>	<u>29,724</u>	<u>133,539</u>	<u>343,622</u>
	<u>233,366</u>	<u>32,477</u>	<u>180,843</u>	<u>446,686</u>

Sprott Resource Corp.

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(Unaudited – expressed in Canadian dollars)

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

	9 months ended Sep. 30, 2010			9 months ended Sep. 30, 2010	9 months ended Sep. 30, 2009
	Energy	Agriculture	Corporate and other		
	\$000's				
Revenue	52,704	4,867	-	57,571	2,715
Costs of production	(39,905)	(4,878)	-	(44,783)	(3,011)
	12,799	(11)	-	12,788	(296)
Other					
Other farm expenses ¹	-	(4,710)	-	(4,710)	-
Management and incentive fees	-	-	(4,563)	(4,563)	(4,362)
General and administrative expense	(15,120)	(4,483)	(2,043)	(21,646)	(6,498)
Interest and financing charges	(733)	-	-	(733)	-
Gains on disposal of investments	-	-	1,086	1,086	6,099
Gain on dilution from investments	-	-	12,332	12,332	361
Interest income	-	-	-	-	855
Other income and expenses	(2,175)	-	(740)	(2,915)	120
Net income (loss) for the period	(5,229)	(9,204)	6,072	(8,361)	(3,721)

¹ Included in other farm expenses is \$2.2 million in farmland lease costs.

A breakdown of general and administration expenses is as follows:

	9 months ended Sep. 30, 2010			9 months ended Sep. 30, 2010	9 months ended Sep. 30, 2009
	Energy	Agriculture	Corporate and other		
Capital tax expense	-	-	78	78	548
Office & administration	3,226	1,174	1,167	5,567	2,866
Professional fees	3,340	1,430	577	5,347	1,917
Salaries and wages	4,524	1,879	118	6,521	1,104
Stock based compensation	4,030	-	103	4,133	63
	15,120	4,483	2,043	21,646	6,498

17 Commitments

Contractual Obligations (\$000's)	Payments Due by Period					
	Total	2010	2011	2012	2013	2014 and beyond
Farm leases (a)	16,775	1,601	2,645	2,645	2,341	7,543
Operating lease (b)	5,620	428	1,464	1,124	1,028	1,576
Equipment lease	434	3	204	151	74	2
Total Contractual Obligations	22,829	2,032	4,313	3,920	3,443	9,121

- a) Farm leases encompass contractual agreements with First Nations regarding the rental of cultivated land for growing crops and the farming of haylands. The remaining term of the lease agreements ranges between 3.25 years to 8.25 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 rent based on the fair value determination rate of the land. The fair value 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.

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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.

Orion has a premise lease which commenced August 1, 2010 for five years and has an estimated annual cost of \$845 thousand.

One Earth Farms has entered into operating leases to lease office space in Saskatoon, Saskatchewan and in Calgary, Alberta. The 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 2015.

- 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 officers 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, accounts receivable, derivative financial instruments, other receivables, investments, accounts payable and accrued liabilities, 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 accounts receivable, other receivables, accounts payable and accrued liabilities, bank credit facility and other instruments approximate their book value due to their short-term nature.

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A fair value hierarchy has been established that prioritizes the inputs to valuation techniques into three levels as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability are not based on observable market data (unobservable inputs).

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.

		Financial assets at fair value as at September 30, 2010			
	Classification	Level 1	Level 2	Level 3	Total
		\$000's	\$000's	\$000's	\$000's
Cash and cash equivalents	Held for trading	34,838	16,516	-	51,354
Derivative financial instruments	Held for trading	-	1,242	-	1,242
Portfolio investments - public	Available for sale	14,865	-	-	14,865
Portfolio investments - warrants	Held for trading	-	324	-	324
		49,703	18,082	-	67,785

		Financial liabilities at fair value as at September 30, 2010			
	Classification	Level 1	Level 2	Level 3	Total
		\$000's	\$000's	\$000's	\$000's
Accounts payable and accrued liabilities	Other financial liabilities	39,068	-	-	39,068
Bank credit facility	Other financial liabilities	11,587	-	-	11,587
		50,665	-	-	50,665

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.

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One Earth Farms has not entered into any derivative financial contracts to manage the fluctuations of crop prices however the following contracts were in place at September 30, 2010:

Crop	Delivery Period	Volume (tonnes)	Net Price (\$/tonne)	Total Value
Canola	November ¹	1,200	381.00	457,200
Canola	November ¹	1,738	378.99	658,870
Canola	November ¹	1,000	382.99	382,990
Soft White Wheat	Sept - April	2,041	150.65	307,477
Soft White Wheat	Sept - Nov	272	156.16	42,476
Soft White Wheat	Dec - Feb	272	156.16	42,476
Hard Red Spring Wheat	Open	4,969	247.89	1,231,765

1. The original delivery period of September 30, 2010 was extended due to the lack of available capacity at the various grain facilities to accept crop delivery. Subsequent to quarter end, One Earth Farms continued fulfilling on the contracts. The company does not expect that there will be a penalty to either party.

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 September 30, 2010:

Commodity - Index	Type	Remaining Term	Contract Price	Notional Quantity
Crude Oil – WTI (USD)	Put options	Oct-Dec 2010	\$81.85	1,000 bbls/d
		Oct-Dec 2010	\$82.30	400 bbls/d
		Oct-Dec 2010	\$82.45	200 bbls/d
		Oct-Dec 2010	\$83.35	400 bbls/d
		Oct-Dec 2010	\$83.55	250 bbls/d

Commodity - Index	Type	Remaining Term	Contract Price	Notional Quantity
Crude Oil – WTI (USD)	Collar	Oct-Dec 2010	\$75.00 / \$94.30	360 bbls/d
Crude Oil – WTI (CAD)	Fixed-price swap	Jan-Dec 2011	\$87.35	1,500 bbls/d
Natural Gas – AECO 7A (CAD)	Collar	Oct-Dec 2010	\$6.00 / \$8.70	1,000 GJ/d
		Oct-Dec 2010	\$6.50 / \$8.14	1,667 GJ/d

The estimated fair value of unrealized commodity contracts \$1,242 thousand (2009 - \$1,210 thousand) is reported on the Consolidated Balance Sheet, with any change in the unrealized positions recorded to income. During the period there was a realized gain of \$337 thousand (2009 - \$nil) and an unrealized loss of \$2,105 thousand (2009 - \$nil).

Sprott Resource Corp.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2010

(Unaudited – expressed in Canadian dollars)

Credit Risk

Credit risk is the risk that a third party fails to meet its contractual obligations that could result in the Company incurring a loss. Accounts receivable and derivative financial instruments are subject to credit risk exposure and the carrying values reflect management's assessment of the associated maximum exposure to such credit risk. Approximately \$14 million of the Company's accounts receivable are primarily from Orion's dealings with oil and gas marketers and joint venture partners. Amounts due from oil and gas marketers are generally collected on the 25th day of the month following production. Orion attempts to mitigate this credit exposure by assessing the financial strength of its counterparties and entering into relationships with larger purchasers with established credit history. Orion only enters into derivative contracts with major national banks and international energy firms to further mitigate the associated risk.

As at September 30, 2010, Orion's accounts receivable was comprised of the following:

Orion's accounts receivable composition as at	Sept. 30, 2010
	(000's)
Oil and gas sales receivable	\$5,944
Accounts receivable from joint venture partners	6,376
Drilling royalty credits	1,400
Other	297
Total	\$14,017

The carrying amounts of accounts receivable incorporates management's assessment of credit risk. During the nine months ended September 30, 2010 the Company has not experienced a credit loss in the collection of its accounts receivable.

19 Subsequent events

The Company entered into the following transactions subsequent to September 30, 2010:

- a) OEOG has entered into joint venture and lease agreements representing over 100 thousand hectares of prospective land. To fund the 2010 exploration, the Company purchased 7 million OEOG common shares for \$1.00 per common share as part of an \$8.1 million private placement recently completed by OEOG.
- b) The Company announced on November 9, 2010 that it has agreed, subject to the execution of definitive agreements, board approval and all necessary regulatory approvals, to purchase a 19.9% interest in VA Uranium Holdings Inc. ("VAUH"), a private company and sole shareholder of Virginia Uranium, Inc. ("Virginia Uranium"), which operates the Coles Hill Uranium Project in Virginia, U.S.A. Virginia Energy Resources Inc. (TSXV: VAE.V) ("Virginia Energy") owns 28.5% of the outstanding shares of VAUH and has a right, if exercised within 90 days of the closing of SRC's financing, to invest in VAUH on the same terms as SRC so as to maintain its current 28.5% ownership position in VAUH, thereby diluting SRC's interest.
- c) An additional 331 thousand warrants were exercised for total proceeds of \$1.4 million.