

Sprott Resource Corp. Third Quarter 2011 Report

Management's Discussion and Analysis of Financial Position and Results of Operations

The following is management's discussion and analysis ("MD&A") of the performance, financial condition and future prospects of Sprott Resource Corp. (herein referred to as "SRC" or the "Company"). This document should be read in conjunction with the condensed unaudited interim consolidated financial statements for the three and nine months ended September 30, 2011 including the notes thereon ("Interim Financial Statements"), as well as with the Company's audited consolidated financial statements for the year ended December 31, 2010 (the "Annual Financial Statements") and the related management's discussion and analysis (the "Annual MD&A"). The reader is cautioned that the aforementioned Annual Financial Statements and Annual MD&A are presented using Canadian generally accepted accounting principles ("Canadian GAAP") whereas the Interim Financial Statements (including the September 30, 2010 comparatives) have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All references to "Canadian GAAP" refer to Canadian GAAP before the adoption of IFRS. All amounts are expressed in Canadian dollars unless otherwise indicated. Further information, including the Company's Annual Information Form ("AIF") for the year ended December 31, 2010, may be accessed at www.sedar.com. The Board of Directors approved this MD&A on November 10, 2011.

FORWARD-LOOKING STATEMENTS

This MD&A and, in particular, the "Outlook" section, contains forward-looking statements including those relating to expected land to be farmed and harvested and grazed by One Earth Farms (defined below), expected oil and gas production and drilling plans by Waseca and OEOG (each defined below), the purchase or sale of securities in Guide (defined below), the potential of the Cole Hill Uranium Project and Stonegate Agricom's (defined below) Mantaro project and Paris Hills project. Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. These forward looking statements are based on current expectations and various estimates, factors and assumptions including: expected oil and gas production results from future drilling by Waseca and OEOG; expected rates of production by Waseca and OEOG; oil and gas reserves of Waseca and OEOG; the merger between Orion and WestFire (each defined below), including any anticipated benefits of such transaction; the successful crop harvest and purchase of cattle by One Earth Farms; the future price of uranium; expected mineral reserves and resources; results of Stonegate Agricom's exploration and drilling programs; and expectations regarding future legislative changes.

These forward-looking statements involve known and unknown risks, including, but not limited to: general economic, market and business conditions; fluctuations in oil and gas prices; the results of exploration and development drilling and related activities; the uncertainty of reserve and resource estimates; changes in environmental and other regulations; risks associated with oil and gas operations; weather risk associated with farming operations; operational risk associated with farming; mining risks; commodity price changes; and other risks, which are beyond the control of the Company or its subsidiaries.

It is important to note that:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of November 10, 2011;
- 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 and as such the Company cannot provide any assurance that forward-looking statements will materialize; and
- 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.

For a description of additional material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see the risks and uncertainties set out in the "Forward-Looking Statements" section and the "Risk Factors" section of the AIF.

NON-IFRS AND NON-CANADIAN GAAP FINANCIAL MEASURES

This MD&A uses the terms "netbacks" (defined below in, "*Energy segment metrics*"), and "EBITDA" (defined below in, "*Agriculture segment metrics*") which terms are not recognized under Canadian GAAP or IFRS and may not be comparable to similar measures presented by other companies. The Company uses these measures to help evaluate its performance, leverage, and liquidity as well as to assess potential acquisitions. The Company considers these metrics to each be a key performance measure as it demonstrates the Company and its subsidiaries' ability to generate funds necessary to repay debt and to fund future growth through capital investment. These non-IFRS and non-Canadian GAAP measures should not be considered as an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with IFRS and Canadian GAAP.

BARRELS OF OIL EQUIVALENT

Where amounts are expressed in a barrel of oil equivalent ("boe"), or barrel of oil equivalent per day ("boe/d"), natural gas volumes have been converted to barrels of oil equivalent on the basis that 6 thousand cubic feet ("mcf") is equal to one barrel of oil. Use of the terms boe or boe/d may be misleading, particularly if used in isolation. This boe conversion ratio is based on an energy equivalence methodology, and does not represent a value equivalency. Indeed, the energy and value relationships may differ widely with market conditions. The conversion conforms to the Canadian Securities Regulators' National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities.

INTRODUCTION

The Company's head office is based in Toronto, Ontario, Canada. Common shares are listed on the Toronto Stock Exchange ("TSX") and trade under the symbol "SCP". See page 4 of the AIF "*Company Overview*" for additional information.

At September 30, 2011, the Company had three reportable industry segments. A description of the operating companies by industry segment, and the Company's equity ownership position in those businesses, is presented below.

<i>Industry Segment</i>	<i>Companies</i>	<i>SRC Ownership (undiluted)</i>
Corporate ¹	SRC holds investments in natural resource companies and other assets such as cash and cash equivalents, short-term investments, gold bullion and portfolio investments.	n/a
	Stonegate Agricom Ltd. ("Stonegate Agricom") ¹ is developing the Mantaro Phosphate Project in Peru and the Paris Hills phosphate and vanadium property in Idaho, U.S.	32.7%
Energy ²	Waseca Energy Inc. ("Waseca") is involved in the exploration and production of oil and gas in Alberta and Saskatchewan, Canada.	81.1%
	One Earth Oil & Gas Inc. ("One Earth Oil & Gas" or "OEOG") is engaged in the development of oil and gas opportunities on and adjacent to First Nations and aboriginal lands in Alberta, Canada and Montana, U.S.	88.2%
Agriculture	One Earth Farms Corp. and its operating subsidiaries (collectively "One Earth Farms") is a large, integrated corporate farming entity on First Nations farmland in Alberta and Saskatchewan, Canada.	58.1%

1. The Corporate segment is comprised of the parent company, SRC, and its assets. Included in certain balances of the financial performance is Stonegate Agricom, which is accounted for on an equity basis in the Company's Interim Financial Statements and unless specifically mentioned, is not included in the following tables or discussion.

2. On June 30, 2011, the Company announced that its former subsidiary Orion Oil & Gas Corporation ("Orion") completed its strategic merger with WestFire Energy Ltd. ("WestFire") (TSX: WFE) pursuant to the previously announced plan of arrangement (the "Arrangement") (see "SRC's Business Objective – Grow the value of our businesses" for additional information). As a result of the transaction, the market value of WestFire is included in the investment portfolio (for more information see "Consolidated Long-term Assets and Investments"). A summary of Orion's operations, now considered discontinued operations for the purposes of SRC's financial statements, can be found below at "Energy segment metrics – summary of Orion's discontinued operations."

Operating Highlights

SRC was not immune to global and energy market declines in the quarter, particularly as it affected our portfolio investments position in WestFire and Guide Exploration Ltd. (“Guide”) (formerly Galleon Energy Inc.). As a result of the market decline, the Company suffered substantial reduction of value in the investment portfolio. Management believes that the energy sector will remain strong despite the declines this quarter (for more information see “*Consolidated Long-term Assets and Investments?*”).

SRC added to its position in Guide and as at the date hereof owns 15,519,477 common shares at an average purchase price of \$2.94 per common share, which, based on information contained in documents publicly filed by Guide, represents approximately 18.2% of the total issued and outstanding common shares. As at September 30, 2011, the Company held 13,407,966 Guide common shares (approximately 15.6%). SRC has acquired the common shares of Guide for investment purposes. SRC may purchase or sell securities of Guide in the future on the open market, in private transactions or otherwise, depending on market conditions and other factors material to the investment decisions of SRC.

The Company recorded a fair value increase of \$7.7 million in its physical gold bullion holdings during the third quarter of 2011 compared to the second quarter of 2011.

The incentive fee of \$14.8 million accrued in the second quarter of 2011 was reversed in the third quarter of 2011 to reflect the impact of the decline in value of the WestFire shares. In addition, in accordance with the partnership agreement pursuant to the Reorganization (defined below) as described below in “*Other Business Highlights and Significant Events for the Third Quarter of 2011 and to the Date Hereof – Corporate Reorganization?*”, subject to certain exceptions, profit distribution related to the disposition of securities are only paid when a disposition for cash or cash equivalents has occurred and not when the sale is recognized for accounting purposes, and only to the amount of cash or cash equivalents received upon such disposition.

SRC’S BUSINESS OBJECTIVE

The Company invests, and operates through its subsidiaries, in the natural resource sector. The Company currently has operations and/or investments in agriculture, energy, precious metals and other natural resources. Management of the Company is dedicated to generating superior returns on capital, risk management and real wealth preservation. SRC seeks to accomplish these objectives by acquiring or starting attractive businesses, growing the value of the subsidiaries organically or through accretive acquisitions and by maintaining the financial flexibility necessary to be responsive to the needs of its subsidiaries and to capitalize on new opportunities.

Acquire or start attractive businesses

The Company did not start or acquire any new businesses in the third quarter of 2011. Management continues to evaluate opportunities that will be accretive to the Company. The Company purchased an option for \$500 thousand on November 11, 2011 to acquire an interest in a Western United States coal deposit. After completion of the exploratory drilling, the Company may exercise the option and invest \$20 million over a period of two years, at the end of which the Company would own approximately 86% of the coal deposit.

Grow the value of our businesses

The Company provides active advice and guidance to its subsidiaries as part of its normal course of operations and as specifically required. However, in the third quarter of 2011 there were no transactions that affected the Company’s ownership in any of its remaining subsidiaries.

Maintain financial flexibility

The Company’s financial strength is in its unallocated capital and ability to issue common shares in support of accretive acquisitions. Having available capital on hand is an important element in successfully negotiating investment terms. As at September 30, 2011, the Company:

- directly holds unconsolidated cash and cash equivalents of \$37.6 million; and
- continues to hold 73,971 ounces of physical gold bullion with a fair market value of \$114.6 million.

It is the Company’s financial flexibility that provides strong resiliency in periods of decline like we have seen this quarter.

OTHER BUSINESS HIGHLIGHTS AND SIGNIFICANT EVENTS FOR THE THIRD QUARTER OF 2011 AND TO THE DATE HEREOF

The Company reported net income attributable to the shareholders of the Company of \$20.4 million and \$107.2 million respectively for the three and nine months ended September 30, 2011, or \$0.18 and \$0.95 per basic and diluted share respectively, compared to a net loss of \$2.6 million and net income of \$7.4 million respectively, or (\$0.02) and \$0.08 per basic and diluted share respectively, in the same time period in 2010.

Waseca

On October 18, 2011, the Board of Directors of Waseca initiated a process to identify, examine and consider a range of strategic alternatives available to maximizing shareholder value. This process could result in a sale of Waseca, a sale of a material portion of the Waseca's assets, or a corporate reorganization among other alternatives. There are no guarantees that the process will result in a transaction or, if a transaction is entered into, as to its terms or timing. Waseca has retained the services of an independent investment bank to assist with this process.

Normal Course Issuer Bid

In the third quarter of 2011 the Company did not purchase or cancel any common shares. For the nine months ended September 30, 2011, the Company has purchased and canceled 279 thousand common shares under the prior year's Normal Course Issuer Bid ("2010 NCIB") at an average cost of \$4.51 per share for a total cost of \$1.3 million.

On September 1, 2011, the Company received approval from the TSX to commence a Normal Course Issuer Bid ("2011 NCIB") to repurchase and cancel up to 9.0 million common shares, representing 9.87% of the unrestricted public float and 7.96% of the total number of issued and outstanding shares at that time. Subsequent to quarter end, the Company has repurchased and cancelled 300 thousand common shares at an average cost of \$3.87 per share for a total cost of \$1.2 million.

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.

Investment portfolio

The Company's investment portfolio increased to \$212.6 million as at September 30, 2011 compared to \$66.1 million as at December 31, 2010. The change in the portfolio is primarily the result of WestFire being classified as an available-for-sale ("AFS") asset (\$120.7 million) and the fair value of the purchased Guide common shares (\$32.3 million). The market value of private securities held decreased by \$1.2 million due to a \$7.4 million decrease in VA Uranium Holdings ("VAUHP"), a \$2.4 million increase in the market value of Union Agriculture Group ("UAG") and the net purchase of \$3.8 million of securities (see "*Consolidated long-term assets and investments, Investments*" for additional information).

Corporate Reorganization

On October 1, 2011, the Company completed a corporate reorganization (the "Reorganization") which will enable the Company to pursue its business goals in a more efficient and effective manner. As a result of the Reorganization, SRC will invest and operate in the natural resource sector through Sprott Resource Partnership (the "Partnership"), a partnership between SRC and Sprott Resource Consulting Limited Partnership (the "Managing Partner"), an affiliate of Sprott Consulting LP. Substantially all of the current holdings of SRC have been transferred to the Partnership. The only assets not transferred to the Partnership are those assets necessary to administer the public company. SRC owns nearly all of the Partnership (approx. 99.99%), other than the managing partnership interest owned by the Managing Partner (approx. 0.01%).

The Managing Partner has the power and authority to transact the business of the Partnership and to deal with the Partnership assets for the use and benefit of the Partnership, including the power and authority to manage and carry on the business of the Partnership.

The Reorganization has not altered the overall compensation entitlement of Sprott Consulting LP or its affiliates when compared to the prior management services agreement dated September 5, 2007. A description of the fees payable by SRC can be found in SRC's Annual Information Form dated March 28, 2011 under "Material Contracts". In addition, SRC and the Managing Partner have clarified in the partnership agreement that any distribution to the Managing Partner of 20% of the pre-tax profits of the Partnership ("Profit Distribution") resulting from a disposition of an asset for non-cash consideration shall not be made until the earlier of such time as (x) such non-cash consideration is disposed of for cash or cash equivalents, in which event the amount of such distribution shall be based on the amount of cash or cash equivalents received by the Partnership for such non-cash consideration; (y)

the Managing Partner is removed as managing partner of the Partnership; and (z) the Partnership is liquidated or dissolved. The Company will evaluate its pre-tax comprehensive income on a quarterly basis to estimate the Profit Distribution accrual. The actual cash Profit Distribution will be made in accordance with the Partnership Agreement as described above and may differ from the accrued amount.

The reorganization does not affect the focus of SRC's Management team in finding accretive investments in the natural resource sector and the commitment of the Company to effectively create shareholder value.

INDUSTRY AND ECONOMIC FACTORS

Variability of financial results

The consolidated operating results of the Company will vary significantly from year to year. Key factors in this variability include: significant acquisitions and dispositions; performance of stock markets, the economic environment and commodity cycles; and the actual business operations of the Company's subsidiaries and equity investments.

Cyclical nature of commodities

Commodity markets are highly cyclical in nature. SRC seeks to invest capital when markets are trading at or near cyclical lows to reduce the investment risk and help separate the well-run companies from their competitors. Management's investment approach is driven by an assessment of global economic trends as they relate to various natural resource sectors. Individual commodity markets are diligently investigated to assess short and long-term supply/demand characteristics to determine where and when to allocate capital. This process allows management to seek out specific investments that will benefit the most from favourable trends.

RESULTS OF OPERATIONS

2011 operating and financial metrics by segment

Corporate segment metrics

It is the Company's intention to maintain a strong balance sheet to provide the financial flexibility necessary to be responsive to the needs of its subsidiaries and to capitalize on new opportunities. As at September 30, 2011, the Company had unconsolidated working capital of \$151.6 million compared to \$165.5 million at December 31, 2010, which will allow it to meet its operational and investment requirements in the near term.

<i>(in thousands)</i>	As at		
	Sept. 30, 2011	Dec. 31, 2010	% Change
<i>Unconsolidated current assets</i>			
Cash and cash equivalents	\$ 37,606	\$ 59,512	-37%
Gold bullion	114,603	105,597	9%
Other current assets	703	1,478	-52%
Total	\$ 152,912	\$ 166,587	-8%
<i>Unconsolidated working capital</i>			
Current assets	\$ 152,912	\$ 166,587	-8%
Current liabilities	(1,350)	(1,088)	24%
Total	\$ 151,562	\$ 165,499	-8%
<i>Unrealized mark-to-market gains on Stonegate Agricom</i>			
Stonegate Agricom - unrealized mark-to-market gains ^{1, 2}	\$ 30,076	\$ 102,701	-71%
Total	\$ 30,076	\$ 102,701	-71%
<i>Portfolio investments</i>			
Public investments (including WestFire) ³	\$ 157,133	\$ 9,334	1583%
Private investments ³	55,509	56,723	-2%
Total	\$ 212,642	\$ 66,057	222%

1. Mark-to-market gains calculated as market value at the applicable valuation date less book (carrying) value.

2. In 2011 the Company has sold 28,750,000 common shares at a price of \$1.75 per share for aggregate gross proceeds of \$50.3 million. The Company has recorded a gain of \$35.8 million on the sale. The Company currently holds 46,912,000 common shares (32.7% interest) in Stonegate Agricom.

3. Portfolio investments are recorded at the determinable market value for public and private companies at the applicable valuation date.

Energy segment metrics

The energy segment comprises the Company's consolidated entities of Waseca and OEOG. On June 30, 2011, the Company's former subsidiary, Orion completed a strategic merger with WestFire. See below "Energy segment metrics – summary of Orion's discontinued operations" for a summary of the impact of Orion's discontinued operations on the Company's interim consolidated statements of income.

In the third quarter of 2011, the Company's energy subsidiaries successfully grew revenues, production and maintained strong netbacks despite a decline in the oil price during the quarter.

Waseca spent the third quarter of 2011 focused on completing its sixty-two well drilling program and year to date has put fifty-four wells into production. Waseca drilled twenty-six wells in the third quarter resulting in twenty-four wells put on production, adding a combined 900 boe/day to Waseca's exit volumes. Waseca's average boe production increased from 1,543 boe/day in the second quarter to 2,522 boe/day in the third quarter. Waseca's exit volumes for September were estimated to be 2,978 boe/day, up 46% from June's exit rate of 2,042 boe/day and up 185% from the 1,046 boe/day December 31, 2010 exit rate.

For the nine month period ended September 30, 2011, OEOG has drilled five wells, two in central Alberta and three in northern Montana. OEOG completed and tested the two Alberta wells and production was brought on stream on April 1, 2011 for one of those wells. The second well in Alberta is expected to be tied in by December 2011 and is expected to be producing by the end of the year. All three of the wells drilled in northern Montana showed hydrocarbons below economic viability and OEOG has written the wells off as dry holes in the third quarter of 2011. OEOG will carefully assess all future exploration and developments in northern Montana.

Further information on the Company's statement of reserve data and other oil and gas information, can be found in the Company's AIF at www.sedar.com.

A summary of the Company's consolidated energy subsidiaries' continuing operating and financial metrics are as follows:

	For the Nine Months Ended September 30		
	2011	2010	% Change
<i>Revenue, net of royalties (\$000's)</i>			
Waseca	\$ 23,342	\$ 6,134	281%
One Earth Oil & Gas	753	-	n/a
Total revenues	\$ 24,095	\$ 6,134	293%
<i>Net and comprehensive income (loss) (\$000's)</i>			
Waseca	\$ 5,888	\$ (2,089)	-382%
One Earth Oil & Gas	(2,266)	(965)	135%
Total net income (loss)	\$ 3,622	\$ (3,054)	-219%
<i>Netbacks¹ (\$ / boe)</i>			
Waseca	\$ 29.76	\$ 26.95	10%
One Earth Oil & Gas	n/a	n/a	n/a
<i>Average production (boe / d)</i>			
Waseca	1,777	499	256%
One Earth Oil & Gas	174	-	n/a
Total production	1,951	499	291%
<i>Exit Rate of Production (boe / d)²</i>			
Waseca	2,978	558	434%
One Earth Oil & Gas	200	-	n/a
Total exit rate	3,178	558	470%
<i>Capital expenditures (per Statement of Cash Flow) (\$000's)</i>			
Waseca	\$ 28,018	\$ 10,580	165%
One Earth Oil & Gas	3,878	2,107	84%
Total capital expenditures	\$ 31,896	\$ 12,687	151%

1. Netbacks are a non-IFRS measure. Calculated as oil and gas sales less royalties and operating expenses.

2. Exit Rate of Production is defined as the rate of production (in boe/d) as of the date specified.

Energy segment metrics – summary of Orion's discontinued operations

On June 30, 2011, Orion completed its strategic merger with WestFire pursuant to the previously announced Arrangement. Immediately upon completion of the Arrangement, WestFire and Orion amalgamated under the Business Corporations Act (Alberta), continuing as WestFire.

Pursuant to the Arrangement, SRC acquired an aggregate of 13,153,936 common shares of WestFire ("WestFire Shares") and an aggregate of 15,512,858 non-listed, non-voting convertible shares ("WestFire Non-Voting Shares"), which may be converted into WestFire Shares on a one for one basis in certain circumstances, provided that the WestFire Non-Voting Shares may not be converted such that the Company could own more than 19.9% of the WestFire Shares. SRC owns 99.4% of the WestFire Non-Voting Shares and approximately 19.5% of the WestFire Shares.

The Company initially recorded an \$88.4 million (\$77.3 million net of deferred taxes) gain as a result of the Arrangement between Orion and WestFire. As part of the Arrangement, the Company received WestFire Shares and WestFire Non-Voting Shares in exchange for its common shares of Orion. The Company has not received any cash from the Arrangement. The gain recorded on this disposition is as follows:

ORION STANDALONE STATEMENT OF FINANCIAL POSITION IMMEDIATELY PRIOR TO THE COMPLETION OF THE ARRANGEMENT (\$000's)

Assets

Current Assets

Cash and cash equivalents	\$	-
Trade and other receivables		14,938
		<u>14,938</u>

Non-Current Assets

Property, plant and equipment, net of accumulated depletion, depreciation and amortization		193,512
Deferred taxes		11,640
Assets of discontinued operations	\$	<u>220,090</u>

Liabilities

Current Liabilities

Trade and other payables	\$	18,181
Derivative financial instruments		1,730
		<u>19,911</u>

Non-Current Liabilities

Bank credit facility		52,797
Asset retirement obligation		12,792
Liabilities of discontinued operations	\$	<u>85,500</u>

Net assets of discontinued operations before non-controlling interest	\$	134,590
Less: non-controlling interest		(28,644)
Net assets of discontinued operations	\$	<u>105,946</u>

Proceeds Received at Divestment

13,153,963 common shares of WestFire Energy Ltd.	\$	89,184
15,512,858 non-listed, non-voting convertible shares of WestFire Energy Ltd.		105,177
Total proceeds	\$	<u>194,361</u>

Gain on Divestment

Less: deferred income tax provision		(11,148)
Net gain on sale of discontinued operations	\$	<u>77,267</u>

Effective June 30, 2011, SRC no longer consolidates Orion's results, financial position and cash flows. SRC ceased to have the ability to exercise control over Orion and the continuing investment in WestFire has been classified as AFS. The Company has accounted for Orion's earnings to June 30, 2011 as discontinued operations. In accordance with the Company's accounting policy for AFS investments, the WestFire position has been marked-to-market at September 30, 2011. The decline in value has been concluded by management to be temporary in nature at this time and as such has been recorded as a component of Other Comprehensive Income (OCI) in the interim consolidated statements of financial position.

Carrying value of WestFire	(\$000's)
Carrying Value as at June 30, 2011	\$ 194,361
Less: Decline in Q3 2011 value - recorded in OCI	<u>(73,674)</u>
Carrying Value of as at September 30, 2011	120,687
Reduction in deferred tax liability	<u>(1,843)</u>
Carrying Value, net of tax, as at September 30, 2011	<u>118,844</u>

Orion, as a standalone entity, followed the full cost accounting method of accounting for oil and gas activities. To consolidate Orion's financial statements, the Company reconciled Orion's oil and gas properties to the successful efforts method. As a result of the reconciliation, the Company's statement of financial position and statements of income will differ from Orion's historical published statements.

Orion's statement of income under successful efforts accounting (\$000's) as at June 30, 2011, the date of deconsolidation

	Three months ended		Six months ended	
	Jun. 30, 2011	Jun. 30, 2010	Jun. 30, 2011	Jun. 30, 2010
Revenue				
Oil and gas revenue	\$ 29,444	\$ 18,934	\$ 56,043	\$ 34,921
Oil and gas royalties	<u>(9,193)</u>	<u>(2,256)</u>	<u>(13,466)</u>	<u>(5,084)</u>
	20,251	16,678	42,577	29,837
Other income and expenses				
General and administrative expense	4,773	5,691	7,652	8,307
Oil and gas operating and exploration	9,650	5,187	16,573	8,729
Depreciation and depletion	8,419	6,204	16,243	10,317
Realized gain (loss) on derivative instruments	1,613	(241)	2,361	(61)
Unrealized gain on derivative instruments	(5,498)	(1,478)	(1,703)	(332)
Loss on other items	-	141	-	1,301
	<u>18,957</u>	<u>15,504</u>	<u>41,126</u>	<u>28,261</u>
	1,294	1,174	1,451	1,576
Finance costs				
Finance expense (note 18)	(1,012)	(157)	(2,028)	(434)
	<u>282</u>	<u>1,017</u>	<u>(577)</u>	<u>1,142</u>
Income tax				
Future income tax (expense) recovery	1,452	(1,368)	(954)	(1,889)
	<u>1,452</u>	<u>(1,368)</u>	<u>(954)</u>	<u>(1,889)</u>
Income (loss) from discontinued operations	<u>\$ 1,734</u>	<u>\$ (351)</u>	<u>\$ (1,531)</u>	<u>\$ (747)</u>

For the three and six month periods ended June 30, 2011, Orion recorded \$20.3 million and \$42.6 million respectively in net oil and gas and sulphur revenue compared to \$16.7 million and \$29.8 million respectively in net oil and gas and sulphur revenue recorded in 2010.

For the three and six month periods ended June 30, 2011, Orion's G&A increased to \$4.8 million and \$7.7 million respectively compared to \$5.7 million and \$8.3 million in the three and six month periods of 2010. Orion's G&A includes charges related to stock based compensation.

Orion's oil and gas production expenses have increased over the prior year as they have expanded their operations by undertaking extensive drilling programs in 2011 and 2010. Production costs consist of operating expenses (e.g. processing the extracted natural gas, fuel, power and utilities associated with the field facilities); costs associated with the contracted field operators and protecting the well casing and tubing in the gathering systems; exploration expenses (consisting of seismic acquisition and interpretation, geological and geophysical consulting, mineral lease rentals on unproved properties); and costs related to wells that are abandoned and expensed as dry hole costs. Depreciation, depletion and amortization expenses ("DDA") directly related to field equipment and production are also a material component of the costs to produce oil and gas.

Orion's oil and gas production expenses, including DDA, for the three and six months ended June 30, 2011 are \$18.1 million and \$32.8 million respectively compared to \$11.4 million and \$19.0 million respectively for the three and six months ended June 30, 2010. The largest component of Orion's production expenses processing costs for natural gas, electrical power and chemicals utilized to enhance production levels and prevent corrosion in the pipeline gathering system.

Orion entered into derivative financial contracts with investment grade counter-parties to manage fluctuations in commodity prices. Realized derivative gains and losses represent actual cash settlements or receipts under the derivative contracts. Unrealized gains and losses represent the fair value of the expected market price to buy out the derivative contracts as at June 30, 2011 and may differ from what will eventually be realized. Orion's hedge arrangements are not held for trading purposes. Realized losses for the three and six months ended June 30, 2011 of \$1.6 million and \$2.4 million respectively (2010: realized gain of \$241 thousand and \$61 thousand respectively) and unrealized gain of \$5.5 million and \$1.7 million respectively (2010: unrealized gain of \$1.5 million and \$332 thousand respectively) on commodity derivatives have been recognized.

Under IFRS, interest expenses and accretion expense, are included as finance expenses. Interest and bank charges for the three and six months ended June 30, 2011 were \$1.0 million and \$2.0 million respectively compared to \$157 thousand and \$434 thousand respectively in 2010. The interest expense relates to interest charges and fees payable under Orion's bank credit facility.

Agriculture segment metrics

One Earth Farms' 2011 harvest operations began in late August. As at September 30, 2011 the grain harvest was 69% complete. The harvest operation includes 98 thousand acres of cropland, 14 thousand acres of grassland for the cattle business and 4 thousand custom farmed acres.

One Earth Farms has increased its total crop acres under management in 2011 to 117 thousand acres from 68 thousand acres, or 71%, and pasture acres to 75 thousand from 24 thousand, or 208%, in 2010. The growth in pasture acres is required to support the increased cattle program in 2011.

<i>(in thousands)</i>	For the Nine Months Ended September 30,		
	2011	2010	% Change
<i>Revenue (from sales)</i>			
Crop	\$ 6,954	\$ 3,537	97%
Cattle	1,074	1,231	n/a
Other ¹	283	-	n/a
Total revenues	\$ 8,311	\$ 4,768	74%
<i>EBITDA reconciliation</i>			
Net loss (\$000's)	\$ (3,695)	\$ (8,125)	-55%
Add back: depreciation	3,117	940	232%
Add back: income taxes	(269)	-	n/a
EBITDA ² (\$000's)	\$ (847)	\$ (7,185)	-88%

	As at	
	Sept. 30, 2011	Dec. 31, 2010
<i>Crop operating metrics</i>		
Acres under management - dryland	101,426	52,484
Acres under management - irrigated	14,863	7,244
Custom farmed acres	4,191	8,554
Less: acres not seeded	(2,688)	(24,628)
Total acres planted	117,792	43,654
<i>Cattle operating metrics</i>		
Pasture acres under management	75,410	23,736
Breeding cattle and bulls	9,050	1,902
Immature livestock inventory and feeder cattle	448	1,718
Total livestock	9,498	3,620

1. Included in other revenue is custom farm management, crop insurance proceeds and market value adjustments.

2. EBITDA, a non-IFRS measure, is calculated as net income (loss) plus interest expense, taxes, depreciation and amortization.

CONTINUING OPERATIONS FOR THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 COMPARED TO THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010

Revenues

<i>(in thousands)</i>	For the Three Months Ended			For the Nine Months Ended	
	September 30, 2011	September 30, 2010	% Change	September 30, 2011	September 30, 2010
Energy (net of royalty)	\$ 11,205	\$ 2,148	422%	\$ 24,095	\$ 6,134
Agriculture	4,597	2,473	86%	8,311	4,768
Total	\$ 15,802	\$ 4,621	242%	\$ 32,406	\$ 10,902

Waseca and OEOG comprise the Company's Energy segment revenues and the Agriculture segment revenues are comprised of One Earth Farms' operations. One Earth Farms revenue through crop and livestock sales, custom farming operations of third party owned private land, changes in market value of inventory and crop insurance proceeds.

During the third quarter of 2011, Waseca recorded \$10.8 million in net oil sales (\$14.2 million gross revenue and \$3.4 million in royalties) on production of 232 thousand boe, translating to an average sales price of \$61.49 per boe. In the third quarter of 2010, Waseca realized oil sales of \$2.2 million (\$2.8 million gross revenue and \$633 thousand in royalties) based on production of 49 thousand boe, translating to an average sales price of \$56.70 per boe. Waseca's oil sales generated a netback of \$28.57 per boe in the third quarter of 2011 compared to \$25.91 per boe in the third quarter of 2010. The growth in Waseca's oil revenues is related to the wells drilled in 2010 and 2011. Year to date, Waseca has drilled 62 wells with 54 wells put on production. Waseca drilled 26 wells in the third quarter resulting in 24 wells put on production, adding a combined 900 boe/day to the Company's exit volumes. Waseca's average rate of production and exit rate of production for the third quarter of 2011 were 2,522 boe/d and 2,978 boe/d respectively, compared to 533 boe/d and 558 boe/d respectively in the third quarter of 2010.

During the second quarter of 2011, OEOG began selling natural gas and natural gas liquids from its first producing well in Alberta. The second well in Alberta is expected to be tied in early to mid-fourth quarter and is expected to be producing by the end of the year. During the third quarter of 2011, OEOG recorded \$377 thousand in net oil sales (\$424 thousand in gross revenue and \$47 thousand in royalties). OEOG's commodity sale prices were \$3.87 per mcf of natural gas and \$69.11 per barrel of natural gas liquids. During the third quarter of 2011, OEOG's average rate of production was approximately 174 boe/d. No wells were drilled in the third quarter.

The three wells drilled in Montana were completed and tested in the second quarter. No commercial hydrocarbons were encountered and the wells were written off in the third quarter. OEOG will carefully assess all future exploration and developments in northern Montana.

Although oil and gas production results from wells drilled in 2011 have been encouraging, readers are cautioned that these wells are still relatively early in their production lives and could experience future performance significantly different to results experienced thus far.

For the three and nine months ended September 30, 2011, One Earth Farms recorded revenue of \$4.6 million and \$8.3 million respectively through grain and livestock sales, custom farming operations and other revenue compared to \$2.5 million and \$4.8 million respectively in the comparative periods in 2010.

OTHER INCOME AND EXPENSES FROM CONTINUING OPERATIONS

Other income and expenses are recorded from the day-to-day continuing operations and gains and losses of the Company during the period. A summary of the consolidated other income and expenses is described in the table below. The description of other income and expenses by industry segment follows the consolidated table.

Other income (expenses) - consolidated

<i>(in thousands)</i>	For the Three Months Ended			For the Nine Months Ended	
	September 30, 2011	September 30, 2010	% Change	September 30, 2011	September 30, 2010
General and administrative expenses	\$ (4,469)	\$ (2,967)	51%	\$ (11,815)	\$ (8,709)
Management fees	(2,716)	(1,659)	64%	(7,691)	(4,563)
Incentive fee	14,768	-	n/a	-	-
Oil and gas production expenses	(6,310)	(1,267)	n/a	(14,188)	(5,253)
Oil and gas DDA expenses (defined below)	(2,805)	(437)	542%	(5,651)	(887)
Farm production expenses	(8,219)	(4,037)	104%	(25,168)	(10,748)
Fair value adjustment to biological assets	(3,412)	202	-1789%	13,084	4,562
Other farm expenses (defined below)	(3,752)	(1,579)	138%	(9,326)	(3,776)
Crop costs of production and fair value adjustments	17,222	1,247	1281%	14,406	649
Gain (loss) on disposal of investments	(25)	(11)	127%	38,857	1,086
Gain on dilution of investments	-	-	n/a	244	12,623
Foreign exchange loss	(67)	(3)	2118%	(53)	(45)
Fair value adjustment to gold bullion	7,726	2,274	240%	9,006	14,852
Interest and other income expenses	70	(234)	-130%	177	(161)
Unrealized gain on investments held for trading	(19)	191	-110%	(168)	(227)
Total	\$ 7,992	\$ (8,280)	-197%	\$ 1,714	\$ (597)

Other income (expenses) - Corporate segment

<i>(in thousands)</i>	For the Three Months Ended			For the Nine Months Ended	
	September 30, 2011	September 30, 2010	% Change	September 30, 2011	September 30, 2010
General and administrative expenses	\$ (1,161)	\$ (747)	55%	\$ (2,826)	\$ (2,043)
Management fees	(2,716)	(1,659)	64%	(7,691)	(4,563)
Incentive fee	14,768	-	n/a	-	-
Gain on disposal of investments	(25)	(11)	127%	38,857	1,086
Gain on dilution of investments	-	-	0%	244	12,623
Gain (loss) on foreign exchange	3	(3)	-208%	18	(45)
Fair value adjustment to gold bullion	7,726	2,274	240%	9,006	14,852
Interest and other income	94	(255)	-137%	315	(210)
Unrealized loss on investments held for trading	(19)	191	-110%	(168)	(227)
Total	\$ 18,670	\$ (210)	-8979%	\$ 37,755	\$ 21,473

Included in the Company's general and administrative expenses ("G&A") are expenses related to consulting fees; directors' fees; filing fees, transfer agent and shareholder costs; office expenses; professional fees; wages and benefits; and miscellaneous expenses.

Company expenses for the three and nine month periods ended September 30, 2011 include management fees of \$2.7 million and \$7.7 million respectively (2010: \$1.7 million and \$4.6 million respectively) payable to Sprott Consulting Limited Partnership ("SCLP") under the terms of the MSA between SCLP and SRC. The increase in the management fee is due to growth in the Company's net assets, on which the management fee is based.

The incentive fee of \$14.8 million recorded in the second quarter of 2011 was reversed in the third quarter of 2011 to reflect the impact of the decline in value of the WestFire shares (see below "Commitments - Payments Due by Period (as at September 30, 2011) - SRC Management Services Agreement"). In addition, in accordance with the partnership agreement pursuant to the Reorganization (defined below) as described below in "Other Business Highlights and Significant Events for the Third Quarter of 2011 and to the Date Hereof - Corporate Reorganization", profit distribution related to the disposition of securities are only paid when a disposition for cash or cash equivalents has occurred and not when the sale is recognized for accounting purpose, and only to the amount of cash or cash equivalents received upon such disposition.

On December 22, 2009, One Earth Farms entered into a management services agreement with SCLP (the “OEF MSA”) and the Company entered into a fee abatement agreement (“Fee Abatement”) with SCLP to eliminate double payment of management fees on the Company’s investment in One Earth Farms. As a result of the Fee Abatement, the OEF MSA had no incremental impact on the Company’s financial statements. On December 31, 2010, One Earth Farms and SCLP terminated the OEF MSA and Fee Abatement to simplify the One Earth Farms’ capital structure.

The Company also derives net realized gains and losses through the sale of securities in its equity investees or its portfolio investments. For the three month period ended September 30, 2011, the Company recorded a net realized loss on the disposal of investments of \$25 thousand and for the nine month period ended September 30, 2011, the Company recorded a net realized gain on the disposal of investments of \$38.9 million compared to a loss of \$11 thousand and gain of \$1.1 million respectively in the prior year periods. The Company’s gain from the sale of 28.8 million common shares of Stonegate Agricom is included in the realized gains for the nine month periods of 2011. For the nine month periods ended September 30, 2011, the Company realized a gain of \$35.8 million on gross proceeds of \$50.3 million on the sale of the Stonegate Agricom shares (see above, “Other Business Highlights and Significant Events for the Second Quarter of 2011 and to the Date Hereof, Sale of Stonegate Agricom shares in 2011” for additional information).

Other income (expenses) – Energy segment

	For the Three Months Ended			For the Nine Months Ended	
	September 30, 2011	September 30, 2010	% Change	September 30, 2011	September 30, 2010
<i>(in thousands)</i>					
General and administrative expenses	\$ (1,525)	\$ (1,075)	42%	\$ (3,915)	\$ (3,092)
Oil and gas production expenses	(6,310)	(1,267)	398%	(14,188)	(5,253)
Oil and gas DDA expenses	(2,805)	(437)	542%	(5,651)	(887)
Total	\$ (10,640)	\$ (2,779)	283%	\$ (23,754)	\$ (9,232)

Energy G&A is broken down as follows:

	For the Three Months Ended			For the Nine Months Ended	
	September 30, 2011	September 30, 2010	% Change	September 30, 2011	September 30, 2010
<i>(in thousands)</i>					
Waseca	\$ (897)	(735)	22%	\$ (2,578)	(2,132)
OEOG	(628)	(340)	85%	(1,337)	(961)
Total	\$ (1,525)	(1,075)	42%	\$ (3,915)	(3,092)

For the three and nine month periods ended September 30, 2011, Energy G&A increased to \$1.5 million and \$3.9 million respectively compared to \$1.1 million and \$3.1 million in the three and nine month periods of 2010. Energy G&A includes charges related to stock based compensation.

Oil and gas production expenses are broken down as follows:

	For the Three Months Ended			For the Nine Months Ended	
	September 30, 2011	September 30, 2010	% Change	September 30, 2011	September 30, 2010
<i>(in thousands)</i>					
Waseca - production expenses	\$ (4,901)	(1,267)	287%	\$ (12,699)	(5,253)
Waseca - DDA	(2,733)	(432)	533%	(5,520)	(882)
OEOG - production expenses	(1,409)	-	n/a	(1,489)	-
OEOG - DDA	(72)	(5)		(131)	(5)
Total	\$ (9,114)	(1,704)	435%	\$ (19,837)	(6,140)

The Company follows the successful efforts method of accounting for oil and gas properties (see “Critical Accounting Estimates, Oil and Gas Properties” for the description of the accounting policy).

Oil and gas production expenses have increased over the prior year as Waseca and OEOG grew their operations by undertaking extensive drilling programs in 2011 and 2010. Production costs consist of operating expenses (e.g. processing the extracted natural gas, fuel, power and utilities associated with the field facilities); costs associated with the contracted field operators and protecting the well casing and tubing in the gathering systems and exploration expenses (consisting of seismic acquisition and interpretation, geological and geophysical consulting, mineral lease rentals on unproved properties) and costs related to wells that are abandoned and expensed as dry hole costs. Depreciation, depletion and amortization expenses (“DDA”) directly related to field equipment and production are also a material component of the costs to produce oil and gas.

Waseca's oil production expenses, including DDA, for the three and nine months ended September 30, 2011 are \$7.6 million and \$18.2 million respectively (2010: \$1.7 million and \$6.1 million respectively). Also included in production expenses for the three and nine month ended September 30, 2011 were dry hole costs of \$524 thousand and \$1.4 million respectively (2010: \$254 thousand and \$820 thousand respectively). Waseca expensed one exploratory production failure during the third quarter of 2011. Waseca also identified one exploration license that was set to expire at October 2011, resulting in the write down of \$743 thousand in exploration and evaluation assets.

OEOG's oil production expenses, including DDA, for the three and nine months ended September 30, 2011 are \$1.5 million and \$1.6 million respectively (2010: \$nil). Also included in production expenses for the three and nine month ended September 30, 2011 were dry hole costs of \$1.3 million (2010: \$nil).

Other income (expenses) – Agriculture segment

<i>(in thousands)</i>	For the Three Months Ended			For the Nine Months Ended	
	September 30, 2011	September 30, 2010	% Change	September 30, 2011	September 30, 2010
General and administrative expenses	\$ (1,782)	\$ (1,145)	56%	\$ (5,075)	\$ (3,574)
Farm production expenses	(8,219)	(4,037)	104%	(25,168)	(10,748)
Other Farm Expenses (defined below)	(3,752)	(1,579)	138%	(9,326)	(3,776)
Crop costs of production and fair value adjustments	17,222	1,247	1281%	14,406	649
Fair value adjustment to biological assets	(3,412)	202	-1789%	13,084	4,562
Total	\$ 57	\$ (5,312)	-101%	\$ (12,079)	\$ (12,887)

Depreciation and amortization on buildings, farm production equipment and other farm production equipment incorporates salvage values expected at the end of the useful life of the equipment. One Earth Farms' management estimates 25% of the equipment cost as salvage value and depreciates equipment at 20% declining balance.

Included in One Earth Farms' G&A are expenses related to wages and benefits, consulting fees, directors' fees, office expenses, professional fees and miscellaneous expenses. Management of One Earth Farms expects G&A to continue to grow as a result of its expanding operations, but at a significantly slower rate as it has most of the people and facilities in place to farm larger acreage.

One Earth Farms' production expenses are comprised of direct livestock costs, including hay and feed, direct labour, equipment costs, fuel and depreciation and amortization of equipment directly used in the field. One Earth Farms' production expenses for the three months and nine months ended September 30, 2011 are \$8.2 million and \$25.2 million respectively (2010: \$4.0 million and \$10.7 million respectively). For the nine month period of 2011, farm production expenses included \$11.0 million of production inputs, \$3.6 million of wages and benefits; \$1.9 million of livestock feed, \$1.6 million in depreciation, \$2.0 million of fuel, \$1.4 million in crop and livestock insurance, \$1.8 thousand in equipment leases and \$1.8 million in other miscellaneous expenditures.

One Earth Farms incurs expenses related to the production of crops and livestock ("Other Farms Expenses"), but are not considered production expenses under IFRS. For the three and nine months ended June 30, 2011 Other Farms Expenses were \$3.8 million and \$9.3 million respectively (2010: \$1.6 million and \$3.8 million respectively). For the nine month period of 2011, Other Farm Expenses included \$5.0 million of crop and cattle land leases, \$1.4 million in depreciation and amortization of equipment used in the field to support the direct field operations, \$1.1 million related to wages and salaries and \$1.8 million of other miscellaneous expenditures.

One Earth Farms fair values its crop inventory and biological assets based on management estimates from available measures such as commodity pricing exchanges and sample crop grades. Although fair value measures are not revenue, they are recorded in the in the Company's interim consolidates statements of income. The change to biological assets for the three and nine months ended September 30, 2011 is \$(3.4) million and \$13.1 million respectively. The change to harvested inventory for the three and nine months ended September 30, 2011 is \$17.1 million and \$14.2 million respectively.

Equity loss in Stonegate Agricom

The equity loss on the investment in Stonegate Agricom is not included in other income and expenses, but impacts the Company's financial results. Stonegate Agricom's loss was primarily due to general and administrative expenses, stock based compensation expenses and foreign currency translation losses during period.

<i>(in thousands)</i>	For the Three Months Ended			For the Nine Months Ended	
	September 30, 2011	September 30, 2010	% Change	September 30, 2011	September 30, 2010
Equity loss on Stonegate Agricom Ltd.	\$ (166)	\$ (1,250)	-87%	\$ (2,421)	\$ (3,957)

Finance expenses

Under IFRS, interest expenses and accretion expense are included as finance expenses. As at September 30, 2011, \$1.8 million had been drawn on the Waseca Credit Facility (defined below) (December 31, 2010, \$nil). Waseca initially drew on the facility in September and was charged an effective interest rate of 3.5%.

Non-controlling interest

Non-controlling interests represent equity interests in subsidiaries owned by third-parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net income and comprehensive income is recognized directly in equity. Changes in the Company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. For the three and nine months ended September 30, 2011, SRC attributed income to the non-controlling interest of \$2.7 million and \$740 thousand respectively (September 30, 2010 attributed loss recovery: \$1.2 million and \$3.3 million respectively).

Common shares issued and outstanding

As at September 30, 2011, the Company had 113,126,510 common shares issued and outstanding compared to 113,405,883 as at December 31, 2010. The decrease in common shares during the nine month period is the result of 279,373 common shares repurchased through the Company's 2010 NCIB at an average price of \$4.51 per common share (including commissions). As at the date hereof, the Company had 112,826,710 common shares issued and outstanding

Net earnings (loss) for the period attributable to shareholders of the Company

<i>(in thousands)</i>	For the Three Months Ended			For the Nine Months Ended	
	September 30, 2011	September 30, 2010	% Change	September 30, 2011	September 30, 2010
Income for the period	\$ 23,067	\$ (3,849)	599%	\$ 107,918	\$ 4,135
Less: non-controlling interest	\$ (2,677)	\$ 1,234	-317%	\$ (740)	\$ 3,315
Income attributable to shareholders	\$ 20,390	\$ (2,615)	-880%	\$ 107,178	\$ 7,450
Income (loss) from discontinued operations	-	756	n/a	(1,531)	(236)

Net earnings (loss) per share (basic and diluted) from continuing and discontinued operations

	For the Three Months Ended			For the Nine Months Ended	
	September 30, 2011	September 30, 2010	% Change	September 30, 2011	September 30, 2010
EPS (basic) - continuing operations	\$ 0.18	\$ (0.03)	600%	\$ 0.28	\$ 0.08
EPS (diluted) - continuing operations	\$ 0.18	\$ (0.03)	600%	\$ 0.28	\$ 0.08
EPS (basic) - discontinued operations	\$ -	\$ 0.01	n/a	\$ 0.67	\$ -
EPS (diluted) - discontinued operations	\$ -	\$ 0.01	n/a	\$ 0.67	\$ -

Note: Using the Treasury Method for the purposes of calculation earnings per share, the Company had 113,279,590 weighted average common shares issued and outstanding and 113,316,744 common shares fully diluted for the three month period and had 113,280,656 weighted average common shares issued and outstanding and 113,319,894 common shares fully diluted for the nine month period.

For the three month and nine month periods ended September 30, 2011, the Company reported net income attributable to the shareholders of the Company of \$20.3 million (\$0.18 gain per share – basic and diluted) and \$107.2 million (\$0.28 gain per share – basic and diluted) respectively compared to a net loss of \$2.6 million (\$0.03 loss per share basic and diluted) and \$7.4 million respectively (\$0.08 gain per share – basic and diluted) reported in the comparative period of 2010.

CONSOLIDATED LONG-TERM ASSETS AND INVESTMENTS

<i>(in thousands)</i>	Long-term Assets and Investments			% Change
	As at			
	September 30, 2011	Dec. 31, 2010		
Investments (a)	\$ 212,642	\$ 66,057		222%
Investment in Stonegate Agricom (b)	18,005	31,491		-43%
Property, plant & equipment ("PP&E") (c) (d) (e)	80,655	214,954		-62%
Exploration and evaluation assets (f)	13,338	15,326		-13%
Long-term biological assets (g)	18,983	2,633		621%
Goodwill	1,901	-		n/a
Loan receivable	395	-		n/a
Deferred taxes	(6,381)	7,323		-187%
Total	\$ 339,538	\$ 337,784		1%

(a) Investments

Investment	Security	As at					Ownership %
		Invested Amount	Sep. 30, 2011 Carrying value	Change	Dec. 31, 2011 Carrying value	Change	
Public company	WestFire Energy	194,361	120,687	(73,674)	-	120,687	19.80%
	Guide Energy	40,913	32,313	(8,600)	-	32,313	18.40%
	Others	5,207	4,133	(1,074)	9,334	(5,201)	n/a
		240,481	157,133	(83,348)	9,334	147,799	n/a
Private companies	Union Agriculture	28,699	46,835	18,136	44,442	2,393	9.70%
	VAUH	11,986	4,550	(7,436)	11,986	(7,436)	19.90%
	Others	4,124	4,124	-	295	3,829	n/a
		44,809	55,509	10,700	56,723	(1,214)	
		285,290	212,642	(72,648)	66,057	146,585	

<i>(in thousands)</i>	Investments			Change Derived from:	
	September 30, 2011	Dec. 31, 2010	Change in Value	Net Capital Invested	Total Change in Market Value
Public securities	\$ 157,133	\$ 9,334	\$ 147,799	\$ 230,481	\$ (82,682)
Private securities	55,509	56,723	(1,214)	3,874	(5,088)
Total	\$ 212,642	\$ 66,057	\$ 146,585	\$ 234,355	\$ (87,770)

The Company's investment portfolio increased to \$212.6 million as at September 30, 2011 compared to \$66.1 million as at December 31, 2010. The change in the portfolio is primarily the result of WestFire being classified as an AFS asset (\$120.7 million) and the fair value of the purchased Guide common shares (\$32.3 million). The market value of private securities held decreased by \$1.2 million due to a \$7.4 million decrease in VAUH, a \$2.4 million increase in the market value of UAG and the net purchase of \$3.8 million of securities (see "Consolidated long-term assets and investments, Investments" for additional information). The value of VAUH decreased, as did all uranium stocks, as a result of the nuclear accident in Japan while the change in value of UAG was due to a change in the U.S. and Canadian dollar foreign exchange rate.

If an investment is deemed to suffer an other than temporary decline in value, the impairment is recorded in the statement of operations. The Company has not assessed any other than temporary declines as at the date hereof.

(b) Investment in Stonegate Agricom

The Company's investment in Stonegate Agricom decreased to \$17.3 million as at September 30, 2011 compared to \$31.5 million as at December 31, 2010. The \$14.2 million decrease in the value is due to the sale of common shares with a cost base of \$12.2 million and by \$2.4 million for the Company's share of Stonegate Agricom's loss, which was partially offset by the \$400 thousand dilution gain.

(c) PP&E – consolidated

<i>(in thousands)</i>	As at		
	September 30, 2011	Dec. 31, 2010	% Change
Corporate	\$ -	\$ -	n/a
Energy	44,887	200,728	-78%
Agriculture	35,768	14,226	151%
Total	\$ 80,655	\$ 214,954	-62%

The Company's consolidated PP&E (net of depreciation, depletion and amortization expense) decreased by \$134.3 million. However, PP&E from continuing operations increased by \$59.2 million accounting for the growth in the Company's remaining subsidiaries of Waseca, One Earth Farms and OEOG. The decline of \$193.5 million is due to the deconsolidation of Orion from the Company's financial statements at the end of the second quarter 2011.

(d) PP&E – Energy segment

<i>(in thousands)</i>	As at		
	September 30, 2011	Dec. 31, 2010	% Change
Waseca	\$ 43,773	\$ 17,110	156%
OEOG	1,114	37	2909%
Total	\$ 44,887	\$ 17,147	162%

PP&E (net of depreciation, depletion and amortization expense) increased by \$27.7 million in the Energy segment as a result of 2011 year to date drilling programs at Waseca and OEOG.

Waseca recorded additions and transfers from intangible assets of \$29.0 million (2010: \$12.7 million) and additions from the acquisition of other oil and gas related equipment of \$5.7 million (2010: 3.8 million). The capital expenditure additions to PP&E were partially offset by \$5.5 million of depreciation, depletion and amortization (2010: \$920 thousand), \$1.9 million in transfers to exploration and evaluation assets (2010: \$1.3 million) and \$nil in impairment losses (2010: 368 thousand). Waseca's total land position as of the date of this MD&A is 47,123 acres (2010: 47,123 acres).

At September 30, 2011, Waseca performed an impairment assessment on each of its properties and completed an impairment test when indicators of possible impairment were present. The Company did not identify any property that required impairment in the second quarter. The Company did not identify a need to reverse any historically impaired properties.

OEOG recorded transfers from intangible assets of \$1.1 million (2010: \$37 thousand) as their first gas well was brought into production on April 1, 2011.

(e) PP&E – Agriculture segment

One Earth Farms acquired \$21.5 million in PP&E (net of depreciation, amortization and disposals), primarily in acquiring \$19.1 million of farm production and operational machinery and equipment, \$2.1 million in buildings and leasehold improvements and \$296 thousand in office equipment and information technology. Depreciation and amortization of the farm production equipment is included as part of production costs whereas depreciation and amortization of non-production equipment is included in G&A, a component of Other Farm Expenses.

(f) Exploration and evaluation assets

<i>(in thousands)</i>	As at		
	September 30, 2011	Dec. 31, 2010	% Change
Waseca	\$ 7,896	\$ 11,824	-33%
OEOG	5,442	3,502	55%
Total	\$ 13,338	\$ 15,326	-13%

The Company's exploration and evaluation assets are comprised of Waseca and OEOG's assets related to the exploration for and evaluation of oil and natural gas reserves. When the Company drills a successful exploratory well, its costs are classified as exploration and evaluation assets along with the associated land lease costs. Each financial reporting date, management evaluates the performance of each well and considers any attributable proved reserves when making a determination of whether or not the costs should be reclassified to PP&E. While classified as an intangible asset, no depletion is booked against the associated revenue. Dry holes comprise both of wells that were deemed dry holes upon drilling completion and wells which were put on production but ultimately were not economic to produce.

Waseca's exploration and evaluation assets decreased by \$3.9 million as at September 30, 2011 compared to December 31, 2010. The decrease was the result of \$29.0 million of transfers to PP&E, \$1.4 million expensed to exploration costs as dry hole costs and \$743 thousand related to expiring land leases, which was partially offset by additions of \$25.3 million and \$1.9 million in transfers from tubular steel inventory.

As at September 30, 2011, OEOG's exploration and evaluation assets increased by \$1.9 million through the exploration of oil and gas reserves compared to December 31, 2010. The increase was the result of \$3.9 million of additions, which was partially offset by \$1.3 million of impairment losses and \$668 thousand in transfers to PP&E.

Each quarter end, Waseca and OEOG assess their respective exploration and evaluation assets for indicators of impairment. Each company also reassesses properties that were impaired previously to determine if changed circumstances warrant the reversal of the historical impairment. During 2010 OEOG did not identify any indicators of impairment in exploration and evaluation assets.

(g) Long-term biological assets

One Earth Farms long-term biological assets are comprised of its 9,046 cow breeding herd (December 31, 2010: 1,902). As at September 30, 2011, the breeding herd was valued at \$19.0 million compared to \$2.6 million at December 31, 2010. One Earth Farms long-term biological assets increased by \$11.0 million due to acquisitions, \$4.8 million in fair market value adjustments, and \$769 thousand due to transfers from current biological assets, which was partially offset by \$145 thousand in livestock sales and \$45 thousand due to impairment.

SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

<i>(in thousands)</i>	2011			2010				2009
	September ¹	June ¹	March ¹	Dec.	Sept.	June 1	March ¹	Dec.
Revenues	\$ 15,802	\$ 10,158	\$ 6,445	\$ 6,537	\$ 4,982	\$ 3,992	\$ 2,398	\$ 2,854
Earnings (loss) - continuing operations	\$ 20,390	\$ (8,741)	\$ 19,791	\$ (5,173)	\$ (5,879)	\$ 17,902	\$ (7,091)	\$ 2,064
Earnings (loss) - discontinued operations	\$ -	\$ 79,001	\$ (3,265)	\$ (1,288)	\$ 319	\$ (352)	\$ (395)	\$ (3,059)
Net earnings (loss) attributable to shareholders	\$ 20,390	\$ 70,260	\$ 16,526	\$ (6,461)	\$ (5,560)	\$ 17,550	\$ (7,486)	\$ (995)
Net earnings (loss) attributable to								
Equity holders of the Company	\$ 20,390	\$ 70,260	\$ 16,526	\$ (6,461)	\$ (5,560)	\$ 17,550	\$ (7,486)	\$ (995)
Non-controlling interest	\$ 2,677	\$ (384)	\$ (1,554)	\$ (2,291)	\$ (1,035)	\$ (1,063)	\$ (1,017)	\$ (1,324)
Net earnings (loss)	\$ 23,067	\$ 69,876	\$ 14,972	\$ (8,752)	\$ (6,595)	\$ 16,487	\$ (8,503)	\$ (2,319)
Earnings (loss) per share - basic								
Earnings (loss) - continuing operations	\$ 0.18	\$ (0.08)	\$ 0.17	\$ (0.05)	\$ (0.06)	\$ 0.19	\$ (0.07)	\$ 0.02
Earnings (loss) - discontinued operations	\$ -	\$ 0.70	\$ (0.03)	\$ (0.01)	\$ -	\$ -	\$ -	\$ (0.03)
Net earnings (loss)	\$ 0.18	\$ 0.62	\$ 0.14	\$ (0.06)	\$ (0.06)	\$ 0.19	\$ (0.07)	\$ (0.01)
Earnings (loss) per share - diluted								
Earnings (loss) - continuing operations	\$ 0.18	\$ (0.08)	\$ 0.17	\$ (0.05)	\$ (0.06)	\$ 0.19	\$ (0.07)	\$ 0.02
Earnings (loss) - discontinued operations	\$ -	\$ 0.70	\$ (0.03)	\$ (0.01)	\$ -	\$ -	\$ -	\$ (0.03)
Net earnings (loss)	\$ 0.18	\$ 0.62	\$ 0.14	\$ (0.06)	\$ (0.06)	\$ 0.19	\$ (0.07)	\$ (0.01)

1. The net earnings (loss), net earnings (loss) per share (basic) and net earnings (loss) per share (diluted) for the quarters ended September 30, 2011, June 30, 2011, March 31, 2011, September 30, 2010, June 30, 2010 and March 31, 2010 have been prepared in accordance with IFRS. All other periods have been prepared in accordance with Canadian GAAP.

FINANCING ACTIVITIES BY COMPANY

Consolidated long-term debt, with no recourse to SRC

It has been the Company's policy to preserve a financially strong parent company that has the funds available to support the growth of existing operating companies and make new investments. This means that it is the responsibility of the individual operating companies to support their own debt without any recourse to SRC or the other operating companies.

SRC

During the first and second quarters of 2011, the Company sold 28.8 million shares of Stonegate Agricom for gross proceeds of \$50.3 million. The Arrangement between Orion and WestFire was completed as a share exchange and no cash has been received by the Company through the disposition of Orion.

Waseca

On January 17, 2011, Waseca obtained a credit facility totalling \$12.5 million with a Canadian chartered bank ("Waseca Credit Facility"). On June 9, 2011, the Waseca Credit Facility was increased to \$25 million. The Waseca Credit Facility is a revolving operating demand loan bearing interest at the bank's prime rate plus a range of 0.50% to 2.50% per annum. The range of interest rates on the facilities are based on a grid system which is dependent on Waseca's trailing debt to funds flow ratios ranging from less than 1:1 to greater than 3:1. Waseca also incurs standby fees on the undrawn portion of the facilities of 0.20% to 0.45% per annum based on the same grid system. Both interest and standby fees are payable monthly.

The Waseca Credit Facility is secured by a general assignment of book debts and a \$50 million debenture with a floating charge over all of Waseca's assets with a negative pledge and undertaking to provide fixed charges on the company's producing properties at the request of the bank.

At September 30, 2011, the Company had \$1.8 million drawn on the facility (December 31, 2010: \$nil). The Company initially drew on the facility in September and was charged an effective interest rate of 3.5%. On the balance sheet, the \$1.8 million draw has been offset by the amortization of the facility fee charged by the bank totalling \$33 thousand. Amortization of the fee is included in finance expense in the statement of income.

One Earth Oil & Gas

OEOG has not undertaken any financing activity during 2011. During the fourth quarter of 2010, SRC purchased 7 million OEOG common shares for \$1.00 per common share as part of an \$8.2 million private placement completed by OEOG. On

November 10, 2011 the board of directors of the Company approved an investment of up to \$6.3 million in OEOG for the continued drilling of wells and the acquisition of certain land in Alberta.

One Earth Farms

During the second quarter of 2011, One Earth Farms raised an additional \$8.4 million total gross proceeds (\$3.9 million in the second tranche of the private placement and \$4.5 million through the agent's over-allotment) of a private placement in which the first tranche closed during the first quarter of 2011. In the first and second quarter of 2011, One Earth Farms raised a total of \$20 million from the Company and \$39.5 million in the private placement with third-party investors.

There were no financing activities during the third quarter of 2011 for One Earth Farms. However, One Earth Farms is actively pursuing business line financing based on fixed and other asset pledges.

Stonegate Agricom

Stonegate Agricom did not undertake any financing activity during the third quarter of 2011.

LIQUIDITY AND CAPITAL RESOURCES

Major cash flow components

<i>(in thousands)</i>	For the Nine Months Ended	
	September 30, 2011	September 30, 2010
Cash from (used in) continuing operations	\$ (13,209)	\$ (16,575)
Changes in non-cash working capital items (from continuing operations)		
Trade and other receivables	(1,785)	(2,123)
Farm inventory	(16,945)	(5,448)
Trade and other payables	5,866	584
Income tax payable	796	(175)
Total cash from (used in) operating activities - continuing operations	(25,277)	(23,737)
Cash from (used in) operating activities - discontinued operations	8,451	30,031
Cash from (used in) investing activities - continuing operations	(60,857)	(50,504)
Cash from (used in) investing activities - discontinued operations	(25,544)	(40,272)
Cash from (used in) financing activities - continuing operations	37,588	19,209
Cash from (used in) financing activities - discontinued operations	17,093	9,542
Change in cash and cash equivalents	\$ (48,546)	\$ (55,731)

Cash flow from operating activities includes both cash generated from or used in continuing operations and changes in non-cash working capital items (from continuing operations). Cash used in operating activities of continuing operations for the nine month period ended September 30, 2011 totalled \$26.8 million compared to cash used in operating activities of \$23.9 million for the nine month period ended September 30, 2010.

For the nine month period ending September 30, 2011, the Company recorded net income from continuing and discontinued operations of \$107.9 million. Significant non-cash items added back to income were equity loss on Stonegate Agricom (\$2.4 million), depreciation, depletion and amortization (\$8.7 million), deferred tax expense (\$1.5 million), stock based compensation (\$2.2 million), and dry hole costs (\$3.5 million), which was offset by the gain on the disposition of Orion (\$77.3 million), the gain on disposal of other investments (\$38.9 million), the fair market value changes to biological assets (\$13.0 million) and the fair market value changes to the physical gold bullion (\$9.0 million). The significant changes in non-cash working capital for the nine month period ended September 30, 2011 include \$1.9 million increase in trade and other receivables, \$16.9 million generated from an increase in inventory, and \$5.9 million generated from an increase in trade and other payables (see below "*Current assets – consolidated, excluding cash and cash equivalents*" for additional information).

Cash provided from operating activities of Orion's discontinued operations for the nine month period ended September 30, 2011 totalled \$10.0 million compared to \$30.2 million for the nine month period ended September 30, 2010.

Cash used in investing activities of continuing operations for the nine month period ended September 30, 2011 totalled \$60.9 million compared to cash used in investing activities of \$46.1 million for the nine month period ended September 30, 2010. For

the nine month period ending September 30, 2011, cash used in investing activities of continuing operations was primarily used in the net purchase of PP&E (\$30.7 million), the net purchase of investments (\$48.0 million), the net purchase of exploration and evaluation assets (\$28.6 million) and the purchase of biological assets (\$11.0 million), which was partially offset by the cash generated from investing activities through the net proceeds on the sale of Stonegate Agricom (\$47.7 million) and other portfolio investments (\$8.0 million).

Cash used in investing activities of Orion's discontinued operations for the nine month period ended September 30, 2011 totalled \$25.5 million compared to \$40.3 million for the nine month period ended September 30, 2010.

Cash provided from financing activities of continuing operations for the nine month period ended September 30, 2011 totalled \$38.4 million compared to cash provided from financing activities of \$19.1 million for the nine month period ended September 30, 2010. Cash provided from financing activities of continuing operations was primarily the private placement at One Earth Farms (\$36.5 million), which was partially offset by the cash used in financing activities through the Company's 2010 NCIB (\$1.2 million).

Cash provided from financing activities of Orion's discontinued operations for the nine month period ended September 30, 2011 totalled \$16.3 million compared to \$9.6 million for the nine month period ended September 30, 2010.

Current assets – consolidated

The Company continues to maintain a strong balance sheet, to provide flexibility to assist in growing the value of subsidiaries organically or through accretive acquisitions to capitalize on new opportunities when appropriate.

<i>(in thousands)</i>	As at		
	September 30, 2011	Dec. 31, 2010	% Change
Cash and cash equivalents	\$ 42,769	\$ 91,315	-53%
Gold bullion	114,603	105,597	9%
Trade and other receivables	15,237	29,903	-49%
Farm inventory	21,399	4,403	386%
Current biological assets	9,218	1,556	492%
Total	\$ 203,226	\$ 232,774	-13%

The Company's current assets decreased by \$29.5 million compared to December 31, 2010. Current assets from continuing operations decreased by \$10.9 million and by an \$18.6 million decrease due to the deconsolidation of Orion from the Company's financial statements.

Current assets – cash and cash equivalents

<i>(in thousands)</i>	As at		
	September 30, 2011	Dec. 31, 2010	% Change
Corporate	\$ 37,606	\$ 59,512	-37%
Energy	668	23,086	-97%
Agriculture	4,495	8,717	-48%
Total	\$ 42,769	\$ 91,315	-53%

As at September 30, 2011, the Company held \$42.8 million in consolidated cash and cash equivalents. The decrease in cash is due to cash used in operations at Waseca, One Earth Farms and OEOG, the purchase of Guide common shares, and expenditures on the Company's G&A and management fee, which was partially offset by the sale of Stonegate Agricom common shares described above.

As at September 30, 2011, the Company held unconsolidated cash and cash equivalents of \$37.6 million (December 31, 2010: \$59.5 million), One Earth Farms held \$4.5 million in cash and cash equivalents (December 31, 2010: \$8.7 million), OEOG held \$668 thousand in cash and cash equivalents (December 31, 2010: \$5.5 million) and Waseca held \$nil in cash and cash equivalents (December 31, 2010: \$17.6 million).

Current assets – consolidated, excluding cash and cash equivalents

The Company's consolidated trade and other receivables (including prepaid expenses) decreased by \$14.7 million. Trade and other receivables from continuing operations increased by \$0.2 million combined with a \$14.9 million decrease due to the deconsolidation of Orion from the Company's financial statements.

As at September 30, 2011, the Company's trade and other receivables were primarily comprised of \$5.8 million for Waseca, \$8.0 million for One Earth Farms, \$757 thousand for OEOG and \$703 thousand for the Company. The carrying amount of the trade and other receivables incorporates management's assessment of credit risk. For additional information, see "Credit risk" below. Included in trade and other receivables are prepaid expenses. Included in One Earth Farms' trade and other receivables is \$3.2 million of prepaid expenses. These prepaid expenses are primarily related to machinery and equipment leases, land and building leases and grain handling and storage equipment.

The Company records the value of its gold bullion at fair market value. As at September 30, 2011, the Company's gold bullion had a market value of \$114.6 million (Dec. 31, 2010: \$105.6 million) compared to a cost of \$75.4 million.

As at September 30, 2011, One Earth Farms' \$21.4 million farm inventory was comprised of \$17.7 million of grain harvested in 2011 that is available for sale, \$1.6 million of pre-purchased production inputs, \$1.1 million in cattle feed and \$977

thousand of machinery and storage equipment parts and supplies. Pre-purchased production inputs are classified as inventory if One Earth Farms has taken delivery. The pre-purchased production inputs will be available for use in the 2012 crop year.

As at September 30, 2011, One Earth Farms' current biological assets were comprised of \$499 thousand of feeder calves and finishing cattle and \$8.7 million of seeded crops growing in-field (see below in "Critical Accounting Estimates – Biological assets – grain crops").

Current assets – by segment

One Earth Farms current assets increased by \$20.2 million over the comparative period as a result of their 2011 financing activity, the increase in fair value of harvested crops and the increase in the fair value of current biological assets, which was partially offset by operating losses and the purchase of farm equipment and machinery and long-term biological assets (breeding cattle). Energy segment current assets decreased by \$31.6 million, including a \$16.0 million decrease due to the deconsolidation of Orion from the Company's financial statements. The remaining \$15.6 million decrease was due to expenditures related to Waseca and OEOG's, capital assets, exploration and evaluation assets and operating losses.

<i>(in thousands)</i>	As at			% Change
	September 30, 2011	Dec. 31, 2010		
Corporate	\$ 152,912	\$ 166,587		-8%
Energy	7,206	43,333		-83%
Agriculture	43,108	22,854		89%
Total	\$ 203,226	\$ 232,774		-13%

Current assets – Corporate

The Company's unconsolidated current assets decreased by \$13.7 million as at September 30, 2011 compared to as at December 31, 2010 primarily due to the purchase of Guide common shares, and expenditures on the Company's G&A and management fee, which was partially offset by the sale of Stonegate Agricom common shares and the increase in the fair value of the physical gold bullion.

<i>(in thousands)</i>	As at			% Change
	September 30, 2011	Dec. 31, 2010		
Cash and cash equivalents	\$ 37,606	\$ 59,512		-37%
Gold bullion	114,603	105,597		9%
Trade and other receivables	703	1,478		-52%
Total	\$ 152,912	\$ 166,587		-8%

Current liabilities – consolidated

<i>(in thousands)</i>	As at			% Change
	September 30, 2011	Dec. 31, 2010		
Bank Loan	\$ (1,765)	\$ -		n/a
Trade and other payables	(16,788)	(37,315)		-55%
Derivative financial instruments	-	(3,432)		-100%
Tax payable	-	(92)		-100%
Total	\$ (18,553)	\$ (40,839)		-55%

The Company's trade and other payables are primarily comprised of \$7.9 million related to Waseca, \$6.9 million related to One Earth Farms, \$674 thousand related to OEOG and \$1.4 million related to SRC. As at September 30, 2011, trade and other payables decreased by \$20.5 million compared to December 31, 2010 partially due to the impact of the deconsolidation of Orion from the Company's financial statements (\$14.9 million). Included in trade and other payables are expenditures related to G&A, drilling and completing oil and gas wells, expenditures on oil and gas facilities, exploration and evaluation activities and accrued royalties. The Company's consolidated trade and other payables are all in the normal course of business and each entity has sufficient capital to pay its current and expected obligations.

Working capital – consolidated

<i>(in thousands)</i>	As at		% Change
	September 30, 2011	Dec. 31, 2010	
Current assets	\$ 203,226	\$ 232,774	-13%
Current liabilities	(18,553)	(40,839)	-55%
Total	\$ 184,673	\$ 191,935	-4%

Working capital (defined as current assets minus current liabilities) has decreased to \$184.7 million from \$191.9 million as at December 31, 2010. The decrease in working capital compared to the year-ended December 31, 2010 is primarily attributed to the purchase of investments, PP&E and other long-term assets and subsidiary operating losses, which was partially offset by the sale of Stonegate Agricom common shares and the increase in the fair value of the Company's physical gold bullion.

COMMITMENTS - PAYMENTS DUE BY PERIOD (AS AT SEPTEMBER 30, 2011)

<i>(in thousands)</i>	Commitments				
	Total	Payments Due by Period			
		< 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
Farm leases (a)	\$ 25,495	\$ 7,225	\$ 14,490	\$ 3,040	\$ 740
Premises leases (b)	1,488	300	1,072	116	-
Equipment lease	1,084	418	616	50	-
Total	\$ 28,067	\$ 7,943	\$ 16,178	\$ 3,206	\$ 740

a) Farm Leases

Farm leases encompass contractual agreements with First Nations regarding the rental of cultivated land for growing crops and the farming of haylands. The term of the lease agreements range between five years to seven 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 a rent based on the fair value determination rate of the specific parcel of land. The fair value determination rate of the land is 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.

b) Premises Leases

On November 1, 2010, the Company entered into a sublease for office space in downtown Toronto. The sublease expires December 31, 2013. The estimated aggregate annual rent obligations are \$154 thousand in 2011 through to 2013. In addition, the Company is responsible for \$240 thousand of leasehold improvements and furniture rentals related to the subleased premises.

One Earth Farms has entered into operating premises lease for office space in Saskatoon, Saskatchewan. The lease commenced May 31, 2010 for five-year term. The estimated aggregate annual rent obligations are \$154 thousand in 2011 through to 2014 and \$77 thousand in 2015.

Waseca has leased office space in Calgary, Alberta for a three-year term commencing December 1, 2008. On July 13, 2011, Waseca signed a fourteen month extension through January 31, 2014. Waseca's estimated aggregate annual rent obligations are \$292 thousand for 2011, \$236 thousand in 2012 and; and \$20 thousand in 2013.

OEOG has entered into a sublease lease for office space in Calgary, Alberta. The sublease has a remaining term of six months. The estimated annual rent obligation is \$29 thousand for 2011 and \$29 thousand for 2012.

c) SRC Management Services Agreement

On September 5, 2007, the Company entered into the 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 (up to a maximum of 12%). 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. Additional information on fees payable under the MSA can be found in *“Impact on the MSA under the Transition to IFRS”*.

Pursuant to the Reorganization, the MSA was amended and restated and in consideration for providing the services described above, the Company agreed to pay SCLP an annual services fee equal to 2% of the net asset value of the Company, adjusted for any management compensation paid by the Company, calculated and payable at the end of each calendar quarter based on the average quarter-end net asset value of the Company. The incentive fee was eliminated in the amended and restated MSA, but the Partnership Agreement includes a profit distribution of the Partnership to an affiliate of SCLP substantially equivalent to the incentive fee described above. See *“Other Business Highlights and Significant Events for the Third Quarter of 2011 and to the Date Hereof – Corporate Reorganization”*.

One Earth Farms Management Services Agreement

On December 22, 2009, One Earth Farms entered into the OEF MSA with SCLP, an entity with directors and management in common. Pursuant to the terms of the OEF MSA, SCLP was appointed by the Company to manage, or engage others to manage, the undertaking and affairs of One Earth Farms. In consideration for providing these services, One Earth Farms agreed to pay SCLP a services fee equal to 0.5% of the net asset value (as defined in the OEF MSA) of One Earth Farms calculated and payable at the end of each calendar quarter based on the average quarter-end net asset value of One Earth Farms. One Earth Farms may also pay a performance fee and termination fee for realizing a liquidity event (as defined in the OEF MSA) within five years of the date of the agreement. As a result of the Fee Abatement, the OEF MSA currently has no incremental impact on the Company's financial statements. As such, no amount has been included in the above commitments schedule for fees payable under this agreement. On December 31, 2010, One Earth Farms and SCLP terminated the OEF MSA and Fee Abatement to simplify the company's capital structure.

TRANSACTIONS WITH RELATED PARTIES

The Company entered into the following transactions with related parties during the period ended September 30, 2011:

- For the three and nine month periods ended September 30, 2011, management fees of \$2.7 million and \$7.7 million respectively (2010 - \$1.7 million and \$4.5 million respectively) were incurred, which are payable to SCLP, an entity with directors and officers in common (see above *“Commitments – Payments Due by Period – SRC Management Services Agreement”*).

Transactions with related parties are recorded at 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.

CRITICAL ACCOUNTING ESTIMATES

Estimates by management represent an integral component of the consolidated financial statements prepared in conformity with IFRS. The estimates made in the consolidated financial statements reflect management's judgments based on past experiences, present conditions, and expectations of future events. Where estimates were made, the reported amounts for assets, liabilities, revenues and expenses may differ from the amounts that would otherwise be reflected if the ultimate outcome of all uncertainties and future events were known at the time the consolidated financial statements were prepared.

The Company views the following accounting estimates as critical:

- Income tax;
- Proved oil and gas reserves;
- Oil and gas properties;
- Impairment of oil and gas assets
- Depreciation and depletion;
- Asset retirement obligations;

- Grain inventory;
- Purchased inventory;
- Biological assets;
- Biological assets – livestock;
- Biological assets – grain crops;
- Stock based compensation and performance shares; and
- Revenue recognition.

Income tax

The Company applies the asset and liability method of measuring income taxes based on temporary differences between the financial reporting and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using substantively enacted tax rates. Deferred tax assets are recognized only to the extent that management determines that it is more likely than not that the deferred income tax asset will be realized.

The determination of the Company's income taxes and other tax liabilities involves the interpretation of complex laws and regulations and the exercise of judgment. The Company's provision for income taxes represents management's interpretation of such laws and regulations and its estimate at the time of the current and future income tax implications of transactions and events affecting the Company. However, all tax filings are subject to potential audit and reassessment. As such, actual tax expense or liability may differ from the amount estimated and recorded or the amount originally estimated and recorded may be subsequently adjusted, and the difference can be material. An adjustment to the Company's provision for income taxes could have a material impact on the Company's financial position.

Proved oil and gas reserves

Under NI 51-101 detailed rules have been developed to provide uniform reserves recognition criteria within the oil and gas industry in Canada. However, the process of estimating oil and gas reserves is inherently judgmental. Technical reserves estimates are made using available geological and reservoir data as well as production performance data. As new data become available, reserves estimates may change. Reserves estimates are also impacted by economic conditions, primarily commodity prices. As economic conditions change, production may be added or may become uneconomical and no longer qualify for reserves recognition.

Oil and gas properties

The Company follows the successful efforts method of accounting for oil and gas activities. Costs to acquire mineral interests in oil and gas properties, to drill and equip exploratory wells that find proved reserves and to drill and equip development wells are capitalized. Costs to drill exploratory wells that do not find proved reserves are expensed in the period that the exploratory drilling proves to be unsuccessful. Geological and geophysical costs and costs of carrying and retaining unproved properties are expensed as they are incurred.

Capitalized costs of producing oil and gas properties, after considering estimated salvage values, are depreciated and depleted over proved developed reserves using the unit of production method. Acquired resource properties with proved reserves are also depleted over proved reserves using the unit of production method. Acquisition costs of probable reserves are not depleted or amortized while under active evaluation for commercial reserves. Costs are transferred to depletable costs as proved reserves are recognized. The oil and gas reserves have been estimated by independent petroleum engineers as of December 31, 2010.

Undeveloped land without proved reserves associated with the property is not subject to depletion. Undeveloped land is reviewed for impairment annually using third party quoted market values.

Expenditures for maintenance, repairs and minor renewals necessary to maintain properties in operating condition are expensed as incurred. Costs associated with major replacement and renewals are capitalized when the service potential of the reserves have been enhanced.

Impairment of oil and gas assets and exploration and evaluation assets

Waseca and OEOG assess impairment annually to determine whether events or changes in circumstances indicate that the carrying amount of oil and gas assets may not be recoverable and further examines if the assets are recorded in accordance with each respective company's stated accounting policy. The recoverable amounts of cash-generating units have been determined based on the higher of fair value less costs to sell and value in use. These calculations require the use of management estimates on highly uncertain

matters such as oil and gas reserves remaining in properties, commodity prices, capital costs required to develop those proved and probable reserves, projected future production rates and operating costs. By their nature, estimates of volumes and the related future cash flows are subject to measurement uncertainty, and the impact of differences between actual and estimated amounts on the financial statements of future periods could be material. Such reserve estimates, which have been estimated by independent engineering firms, are subject to change as additional information becomes available.

Depreciation and depletion

As indicated above, the estimate of proved reserves is critical to calculating the unit of production depletion rates. Depreciation and depletion of capitalized costs of proved oil and gas properties is calculated using the unit of production method based upon estimated proved reserves for property acquisitions and estimated proved developed reserves for exploration and development costs over the life of the production contract. The determination of whether or not a property is proved directly impacts the depletion expense.

Asset retirement obligations

The Company recognizes the fair value of an asset retirement obligation (“ARO”) in the period in which it is incurred when a reasonable estimate of the fair value can be made. Numerous assumptions and judgments are required in the fair value calculation of the Company’s decommissioning liability including the ultimate settlement amounts, inflation factors, risk-free rates, timing of settlement, and changes in the legal, regulatory, environmental and political environments. On a periodic basis, management will review these estimates and changes if any, and the estimate will be applied on a prospective basis, and will result in an increase or decrease to ARO. Any difference between the actual costs incurred and the recorded liability is recorded as a gain or loss in the statements of operations in the period in which the settlement occurs.

Unwinding of the discount is reported as accretion expense and grouped with finance expense on the statements of operations and deficit. The associated asset retirement costs are capitalized as part of the carrying value of the related assets. The capitalized amount is amortized to earnings on a basis consistent with depreciation and depletion of the underlying assets.

Grain inventory

Grain inventories available for immediate delivery are recorded at the net farm price (market price less selling costs) as the products have a reliable and realizable market price with predictable disposal costs.

Purchased inventory

Purchased inventories are recorded at the lower of cost and net realizable value. Inventories available for immediate delivery are recorded at the net farm price (market price less selling costs) as the products have a reliable and realizable market price with predictable disposal costs.

Biological assets

A biological asset is a living animal or plant and an agricultural activity is the biological transformation of biological assets for sale, into agricultural produce or into additional biological assets. Biological assets are recognised at fair value less estimated costs to sell. Fair value is measured with reference to an active market adjusted for its present location and condition. Fair value changes are recognised in profit or loss. All the expenses incurred in establishing and maintaining the assets is recognised in profit or loss. Finance charges are not capitalised.

Biological assets – livestock

Livestock has been valued at fair value less point-of-sale costs at the reporting date in accordance with International Accounting Standard (“IAS”) 41, *Agriculture*. Fair value is based on average weight per head and average market prices. Valuation is dependent on a number of factors including estimated herd quality, market prices, and bred status and age of cattle.

Livestock intended to be sold are classified as current biological assets. The Company’s long-term biological assets consist of the breeding herd not intended to be sold.

Biological assets – grain crops

Standing crops of grain are valued at fair value less point-of-sale costs at the time of harvesting in accordance with IAS 41 Agriculture and are classified as current biological assets.

Immature standing crop consists of growing seedlings that have been in the ground for less than 90 days. The fair value of immature standing crop is based on insured value.

Mature standing crop consists of growing seedlings that have been in the ground for greater than 90 days. Fair value of mature standing crops is based on a number of factors including estimated crop yield, grade and expected market price less harvesting and point-of-sale costs.

Upon harvest, grain is transferred to inventories at fair value less estimated point of sale costs at the date of harvest.

Stock based compensation and performance shares

The Company has established a stock option plan for the benefit of full-time and part-time employees, officers, directors and consultants of the Company and its affiliates. As at the date hereof, only independent directors have been awarded stock options.

The fair value of all stock options granted by the Company is recorded as a charge to operations and a credit to contributed surplus. The fair value of stock options which vest immediately is recognized at the date of grant; the fair value of options which vest in the future is recognized over the vesting period. Any consideration received on the exercise of stock options together with the related portion of contributed surplus is credited to share capital. The fair value of stock options is estimated using the Black-Scholes pricing model.

Waseca, OEOG and One Earth Farms have established stock option plans for the benefit of employees, officers, directors and consultants. In addition, Waseca and OEOG have established performance share plans for the benefit of these same individuals.

The estimation of fair value of the performance shares is similar to the valuation for the options. The primary difference is in the recognition of the value of the performance shares, whose value is not recorded for financial statement purposes until such time as the performance condition has been met.

Revenue Recognition

Revenue from the sale of crude oil, natural gas and natural gas liquids is recognized when delivery has taken place and the significant risks and rewards of the crude oil, natural gas and natural gas liquids have passed to the buyer and the amount of revenue can be reliably measured. Sales revenue does not include indirect taxes (excise, GST, and royalties) and is stated at the net amount (after discounts and pipeline losses).

Revenue from grain and livestock sales is recognized when the product is delivered and title and risk of loss have passed to the buyer. Net sales are reduced by fees paid or payable to relevant commodity marketing boards.

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

In November 2009, the International Accounting Standards Board (“IASB”) issued IFRS 9, *Financial Instruments* which becomes effective for annual periods beginning on or after January 1, 2013.

In May 2011, the IASB issued the following standards: IFRS 10, *Consolidated Financial Statements* (“IFRS 10”), IFRS 11, *Joint Arrangements* (“IFRS 11”), IFRS 12, *Disclosure of Interests in Other Entities* (“IFRS 12”), IAS 27, *Separate Financial Statements* (“IAS 27”), IFRS 13, *Fair Value Measurement* (“IFRS 13”) and amended IAS 28, *Investments in Associates and Joint Ventures* (“IAS 28”). Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

IFRS 9 – Financial instruments

IFRS 9 was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly

representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, *Consolidation — Special Purpose Entities* and parts of IAS 27, *Consolidated and Separate Financial Statements*.

IFRS 11 - Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers*.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27, *Separate Financial Statements* (“IAS 27”), and IAS 28, *Investments in Associates and Joint Ventures* (“IAS 28”). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

The Company has not yet assessed the impact of these new standards or determined if it will adopt the standards early.

ADOPTION OF IFRS

In 2010, the Canadian Institute of Chartered Accountants' ("CICA") handbook was revised to incorporate IFRS and required publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011.

This is the first year in which the Company is preparing its financial statements in accordance with IFRS as issued by the IASB. The accounting policies as contained in the March 31, 2011 condensed interim consolidated financial statements are those applied in preparing the interim consolidated financial statements for the period ended September 30, 2011. The Company has consistently applied the same accounting policies throughout all periods presented.

IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which governs the first-time adoption of IFRS, in general requires accounting policies to be applied retrospectively to determine the opening statement of financial position at the Company's transition date as at January 1, 2010 (the "Date of Transition") and contains certain exemptions and exceptions from retrospective application on the transition to IFRS. The exemptions and exceptions the Company has applied and are considered applicable to the Company are the following:

MANDATORY EXCEPTION

The following exception is mandatory under IFRS 1 and is applicable to the Company:

- Estimates - Estimates under IFRS 1 as at the Date of Transition should be consistent with estimates made for the same date under Canadian GAAP, unless there is evidence that those estimates were an error. The Company's estimates under IFRS at the Date of Transition were consistent with those made under Canadian GAAP in accordance with IFRS 1.

All other mandatory exceptions required under IFRS 1 were not applicable to the Company

FIRST-TIME ADOPTION EXEMPTIONS APPLIED

Business combinations

Under this exemption, the Company elected not to restate historic business combination transactions completed in accordance with Canadian GAAP prior to the Date of Transition.

Share-based payments

This exemption allowed SRC to not apply IFRS 2, Share-based Payment ("*IFRS 2*"), to equity instruments granted after November 7, 2002 and vested before the Date of Transition.

Asset retirement obligation

This exemption allowed the Company on transition to determine what the depletion of the asset retirement obligation asset would have been on the measurement under IFRS when the corresponding liability was incurred.

Arrangements containing leases

This exemption allowed SRC to evaluate leases at the Date of Transition rather than the date of lease inception.

Cumulative translation adjustment

Cumulative translational differences for all foreign operations with a functional currency other than the Canadian dollar were deemed zero at transition.

Borrowing costs

The Company elected to apply IFRS relating to borrowing costs prospectively from the Date of Transition. Borrowing costs relating to qualifying assets, if any, before that date were expensed as incurred.

RECONCILIATION OF EQUITY BETWEEN CANADIAN GAAP AND IFRS BASED ON THE FOR THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2010

	Sept. 30, 2010		
<i>(in thousands)</i>	Canadian GAAP	Adjustments on transition to IFRS	IFRS
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	51,354	-	51,354
Gold bullion (a)	75,392	24,302	99,694
Trade and other receivables	21,800	-	21,800
Farm inventory	1,834	-	1,834
Biological assets (l)	4,870	1,078	5,948
Derivative financial instruments	1,242	-	1,242
	<u>156,492</u>	<u>25,380</u>	<u>181,872</u>
Investments (b)	44,138	6,855	50,993
Investment in Stonegate Agricom Ltd.	34,797	(150)	34,647
Property, plant and equipment, net of accumulated depletion, depreciation and amortization (c) (d) (h) (i)	195,279	(12,511)	182,768
Exploration and evaluation assets (c)	-	19,709	19,709
Long-term biological assets	2,334	-	2,334
Deferred taxes (a) (b) (c)	13,646	(4,747)	8,899
Total Assets	446,686	34,536	481,222
<i>Liabilities</i>			
<i>Current liabilities</i>			
Trade and other payables	38,991	-	38,991
Income and capital taxes payable	77	-	77
	<u>39,068</u>	<u>-</u>	<u>39,068</u>
<i>Non-current liabilities</i>			
Bank credit facility	11,587	-	11,587
Asset retirement obligation (c) (d)	5,355	4,709	10,064
Non-controlling interest (g)	47,054	(47,054)	-
Total Liabilities	103,064	(42,345)	60,719
<i>Equity</i>			
Capital stock	238,824	-	238,824
Warrants	34,677	-	34,677
Contributed surplus (f)	6,545	822	7,367
	<u>280,046</u>	<u>822</u>	<u>280,868</u>
Retained earnings (a) (e) (f)	64,376	24,407	88,783
Accumulated other comprehensive income (loss) (b) (k)	(800)	4,962	4,162
Equity attributable to shareholders of the Company	343,622	30,191	373,813
Equity attributable to non-controlling interest (g)	-	46,690	46,690
	<u>343,622</u>	<u>76,881</u>	<u>420,503</u>
Total Liabilities and Equity	446,686	34,536	481,222

RECONCILIATION BETWEEN CANADIAN GAAP AND IFRS FOR THE CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME FOR THE THREE MONTHS AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010

<i>(in thousands)</i>	Three months ended Sept. 30, 2010		
	Canadian GAAP	Adjustments on transition to IFRS	IFRS
Oil and gas revenue	2,782	-	2,782
Oil and gas royalties	(586)	(48)	(634)
Farming revenue	2,473	-	2,473
Revenue	4,669	(48)	4,621
<i>Other income and expenses</i>			
General and administrative expense (c) (d) (f) (j)	3,100	(133)	2,967
Management fees	1,659	-	1,659
Oil and gas operating and exploration costs (c) (i)	1,267	-	1,267
Oil and gas depreciation and depletion (c) (h) (i)	437	-	437
Farm production costs (l)	4,037	-	4,037
Fair value adjustment to biological assets	(202)	-	(202)
Other farm expenses	1,579	-	1,579
Crop costs of production and fair value adjustments (l)	(772)	(475)	(1,247)
Loss on disposal of investments	11	-	11
Gain on dilution of investments (e)	-	-	-
Foreign exchange loss	3	-	3
Unrealized gain on investments held-for-trading	(191)	-	(191)
Fair value adjustment to gold bullion (a)	-	(2,274)	(2,274)
Other expense	234	-	234
	11,162	(2,882)	8,280
	(6,493)	2,834	(3,659)
<i>Finance costs</i>			
Finance expense (i)	(3)	-	(3)
Equity loss in Stonegate Agricom Ltd.	(1,250)	-	(1,250)
Non-controlling interest (g)	1,035	(1,035)	-
Loss before income tax	(6,711)	1,799	(4,912)
Deferred income tax recovery	1,161	(854)	307
Loss from continuing operations	(5,550)	945	(4,605)
Discontinued operations (c) (h) (i) (j)	(1,365)	2,121	756
Loss for the period	(6,915)	3,066	(3,849)
<i>Income attributable to:</i>			
Shareholders of the Company	(6,915)	4,300	(2,615)
Non-controlling interest (g)	-	(1,234)	(1,234)
Loss for the period	(6,915)	3,066	(3,849)
Unrealized gains on available-for-sale investments (b)	4,725	(797)	3,928
Stonegate Agricom Ltd. cumulative translation adjustment (k)	-	195	195
Transfer of gains on available-for-sale investments	11	-	11
Deferred income taxes on available-for-sale-investments (b)	(596)	199	(397)
Other comprehensive income	4,140	(403)	3,737
Total comprehensive loss for the period	(2,775)	2,663	(112)

Nine months ended Sept. 30, 2010

<i>(in thousands)</i>	Canadian GAAP	Adjustments on transition to IFRS	IFRS
Oil and gas revenue	7,965	-	7,965
Oil and gas royalties	(1,625)	(206)	(1,831)
Farming revenue	4,768	-	4,768
Revenue	11,108	(206)	10,902
<i>Other income and expenses</i>			
General and administrative expense (c) (d) (f) (j)	9,442	(733)	8,709
Management fees	4,563	-	4,563
Oil and gas operating and exploration costs (c) (i)	5,253	-	5,253
Oil and gas depreciation and depletion (c) (h) (i)	887	-	887
Farm production costs (l)	10,748	-	10,748
Fair value adjustment to biological assets	(4,562)	-	(4,562)
Other farm expenses	3,776	-	3,776
Crop costs of production and fair value adjustments (l)	429	(1,078)	(649)
Gain on disposal of investments	(1,086)	-	(1,086)
Gain on dilution of investments (e)	(12,332)	(291)	(12,623)
Foreign exchange loss	45	-	45
Unrealized loss on investments held-for-trading	227	-	227
Fair value adjustment to gold bullion (a)	-	(14,852)	(14,852)
Other expense	161	-	161
	17,551	(16,954)	597
	(6,443)	16,748	10,305
<i>Finance costs</i>			
Finance expense (i)	(13)	-	(13)
Equity loss in Stonegate Agricom Ltd.	(3,957)	-	(3,957)
Non-controlling interest (g)	3,315	(3,315)	-
(Loss) income before income tax	(7,098)	13,433	6,335
Deferred income tax recovery (expense)	629	(2,593)	(1,964)
(Loss) income from continuing operations	(6,469)	10,840	4,371
Discontinued operations (c) (h) (i) (j)	(1,892)	1,656	(236)
(Loss) income for the period	(8,361)	12,496	4,135
<i>Loss attributable to:</i>			
Shareholders of the Company	(8,361)	15,811	7,450
Non-controlling interest (g)	-	(3,315)	(3,315)
(Loss) income for the period	(8,361)	12,496	4,135
Unrealized (losses) gains on available-for-sale investments (b)	(40)	6,855	6,815
Stonegate Agricom Ltd. cumulative translation adjustment (k)	-	(179)	(179)
Transfer of losses on available-for-sale investments	(1,086)	-	(1,086)
Deferred income taxes on available-for-sale-investments (b)	69	(1,714)	(1,645)
Other comprehensive (loss) income	(1,057)	4,962	3,905
Total comprehensive (loss) income for the period	(9,418)	17,458	8,040

IFRS 1

Differences relating to IFRS adjustments for the Company's opening balance sheet as at January 1, 2010 and for the year ending December 31, 2010 have been explained in the Company's interim consolidated financial statements for the three month period ending March 31, 2011.

a) Gold bullion

Gold bullion was previously measured at historic cost under Canadian GAAP. These assets are measured at fair value under IFRS with any movement in value recognized in the statements of income (loss) and comprehensive income (loss).

Material IFRS adjustments

IFRS as at September 30, 2010: The fair value adjustment resulted in a \$24.3 million increase to gold bullion with a corresponding adjustment of \$21.2 million to retained earnings and \$3.1 million increase to deferred tax liability.

b) Available-for-sale investments

AFS investments in private company shares were previously measured at historic cost under Canadian GAAP. Under IFRS, private company investments are carried at fair value unless fair value cannot be determined. In those situations, it should be carried at historic cost.

The Company currently holds an equity investment in the Union Agriculture Group ("UAG"). Management believes that the fair value of UAG can be determined by the price paid by independent investors. As a result, this investment is measured at fair value under IAS 39 with changes through other comprehensive income.

Material IFRS adjustments

IFRS as at September 30, 2010: The fair value adjustment resulted in a \$6.9 million increase in AFS investments with a corresponding adjustment of \$4.9 million to other comprehensive income and \$2.0 million to deferred tax liability.

c) Property, Plant and Equipment (PP&E) and exploration and evaluation assets

Property, Plant and Equipment

The Company follows the successful efforts method of accounting for its oil and gas exploration and production activities, which is allowed under both Canadian GAAP and IFRS.

Under IFRS, an impairment of oil and gas assets is recognized if the carrying value of the cash generating unit exceeds the recoverable amount, that is, the higher of fair value less costs to sell or value in use. Impairments recognized under IFRS are reversed when there has been a subsequent increase in the recoverable amount.

Exploration and evaluation assets

Under Canadian GAAP, the Company's oil and gas assets were reflected as either proved or unproved properties. Both categories were included in the Company's PP&E or capital asset balance. Under IFRS, exploration and evaluation assets are categorized as intangible assets and shown as a separate line item on the statement of financial position. The Company's unproved properties under Canadian GAAP are reflected as exploration and evaluation assets under IFRS. The dollar impact is reflected in the statement of financial position, the statement of income and the statement of comprehensive income reconciliations presented.

Material IFRS adjustments

IFRS as at September 30, 2010: Approximately \$19.7 million was reclassified from PP&E to exploration and evaluation assets. In addition, as a result of the fair value adjustment arising from changes in the methodology used to calculate ARO, the ARO increased by \$4.7 million with a corresponding increase in PP&E.

d) Asset retirement obligation

Under Canadian GAAP, AROs are discounted using a current credit-adjusted risk-free rate for upward adjustments and the original credit-adjusted risk-free rate for downward revisions. IFRS requires AROs to be updated at each statement of financial position date using a current pre-tax discount rate which reflects the current market assessment of the time value of money and the risks specific to the liability. The discount rate is not credit-adjusted under IFRS. In addition, the Company has identified additional obligations as a result of the wider definition of provisions under IFRS.

The Company has elected to apply the exemption from full retrospective application allowed under IFRS 1. As such, the Company has re-measured the ARO as at the Date of Transition under IAS 37, estimated the amount to be included in the related asset by discounting the liability to the date in which the liability arose using best estimates of the historical risk-adjusted discount rates, and recalculated the accumulated depreciation and amortization under IFRS.

Material IFRS adjustments

IFRS as at September 30, 2010: As a result of the adjustment arising from changes in the methodology used to calculate ARO, the ARO increased by \$4.7 million with a corresponding increase in PP&E.

e) Goodwill

Under Canadian GAAP, dilution gains and losses and non-controlling interest movements are recorded on all transactions where the Company has control or significant influence. Under IFRS, changes in non-controlling interest where control remains are recorded to equity.

IFRS as at December 31, 2010: The Company exercised One Earth Farms warrants which led to the re-measurement of the acquired shares at fair value. Under Canadian GAAP, this resulted in recognition of \$1.0 million of goodwill. This transaction did not result in a change of control and, as such, IFRS does not re-measure to fair value or recognize additional goodwill. This resulted in a \$1.0 million decrease in goodwill with a corresponding entry to equity.

f) Contributed surplus and stock-based compensation

Under Canadian GAAP, the Company recognized forfeitures on share-based payments as they occurred. IFRS requires an estimate of the number of awards expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Under IFRS, each grant is accounted for on that basis.

Material IFRS adjustments

IFRS as at September 30, 2010: As a result of the different methodology to calculate stock-based compensation, the Company increased contributed surplus by \$0.8 million with a corresponding reduction in retained earnings.

g) Non-controlling interest

Non-controlling interest, formerly presented as a liability component under Canadian GAAP, is presented within shareholders' equity under IFRS.

Under IFRS, the Company consolidates 100% of its subsidiaries' income and losses and the share of the minorities' interest in the net income or loss is adjusted directly in equity.

h) Depletion, depreciation and amortization

Under both Canadian GAAP and IFRS, oil and natural gas properties are depreciated using a unit-of-production method. The cost of producing wells and development costs are amortized over proved developed reserves. License acquisition and future decommissioning costs are amortized over total proved reserves. The oil and gas reserves have been estimated by independent petroleum engineers as of December 31, 2010. Any IFRS adjustment is a result of subsequent depletion and depreciation from the PP&E differences identified in explanatory notes (c) and (d) above.

i) Interest and other income and finance expenses

Under IFRS, interest expense and accretion expense are included as finance expenses.

Under Canadian GAAP, the AROs were measured as the estimated fair value of the retirement and decommissioning expenditures expected to be incurred and liabilities were not re-measured to reflect period-end discount rates. Under IFRS, the decommissioning provision is measured as the best estimate of the expenditure to be incurred and requires that the ARO be re-measured using the period-end discount rate. As a result of the change in the decommissioning provision, accretion expense decreased under IFRS compared to Canadian GAAP. In addition, under Canadian GAAP accretion of the discount was included in depletion and depreciation whereas under IFRS it is included in finance expenses.

These individual amounts for Canadian GAAP have been reclassified for IFRS.

j) Orion deferred amalgamation costs and reverse takeover

Orion became a listed issuer through a reverse take-over transaction (“Orion RTO”). IFRS requires unidentifiable consideration to be recognized if the consideration received by the original shareholders of the public company is greater than the fair value of the net assets acquired. As a result, Orion expensed \$1.2 million during the first quarter of 2010 as costs associated with the Orion RTO. There was no additional impact from the Orion RTO in 2010.

k) Cumulative Translation Adjustment

Under IFRS 1, the Company elected to set its cumulative translation adjustment (“CTA”) to zero on transition.

Under pre-changeover Canadian GAAP, the subsidiaries were considered integrated and any translation differences were reported in the income statement for the period; under IFRS, all translation differences arising as a result of the translation of the Company’s foreign subsidiaries and associates under IAS 21, Functional Currency must be presented as a separate component of equity. For the three, six, nine and twelve month periods ended March 31, 2010, June 30, 2010, September 30, 2010 and December 31, 2010, the CTA balances were (\$0.3 million), (\$0.4 million), (\$0.2 million) and (\$0.6 million), respectively.

l) Fair value of biological assets

Under Canadian GAAP, crops growing in the field are classified as inventory and recorded at the lower of cost and net realizable value. IFRS requires that biological assets are recognized at fair value less estimated costs to sell.

Material IFRS adjustments

IFRS as at September 30, 2010: One Earth Farms transferred \$1.1 million of crops growing in the field from inventory to biological assets.

IFRS as at December 31, 2010: The gains recorded in the second and third quarter of 2010 are reversed in the fourth quarter of 2010 as the crop was harvested and reported in inventory at the fair value.

Statement of Cash Flows

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated and used by the Company except that, under IFRS, cash flows relating to interest are classified as operating, investing or financing in a consistent manner each period. Under Canadian GAAP, cash flows relating to interest payments were classified as operating. Immaterial reclassifications have been completed, but on an overall basis net cash flow did not change.

IFRS IMPACT ON REPORTING AND INTERNAL CONTROLS

In accordance with the Company's approach to certification of internal controls required under NI 52-109, all entity-level, information technology, disclosure and business process controls required updating and testing to reflect changes arising from SRC's conversion to IFRS. Where material changes were identified, these changes were mapped and tested to ensure that no material control deficiencies exist as a result of the Company's conversion to IFRS.

As the Company identified changes to accounting policies, note disclosures and any required quantified differences additional internal controls were developed and placed into operation to ensure the controls remain effective. The approach for fiscal 2010 focused on identification, analysis and quantification outside the normal financial statement close process supplemented by consulting with the external auditors and qualified consultants. During fiscal year 2011 the Company is reviewing the existing internal controls to determine if processes and controls can be more efficient going forward, including becoming integrated within monthly and quarterly reporting. In the event that there are changes that will materially affect Internal Controls over Financial Reporting, the Company will disclose those changes and the associated impact in the respective future MD&A.

IMPACT ON THE MSA UNDER THE TRANSITION TO IFRS

The transition to IFRS had a significant impact on the MSA. The previous calculation of fees payable to SCLP was determined in accordance with Canadian GAAP and did not contemplate a transition in accounting standards to IFRS. It has been determined that the cumulative impact of the transition adjustments and financial statement presentation changes under IFRS have an impact on the calculation of the annual management fee, annual incentive fee and hurdle (as defined in the MSA). SCLP has provided the Audit Committee and the independent directors of the Company with a summary of the expected changes in prior and future periods to determine how to apply any differences that accrue from the changes. In order to maintain the spirit of the MSA agreement and therefore recognition of, and credit for, the impact of OBS adjustments which would have otherwise been recorded in the pre-tax accounting earnings, and to avoid the earnings being permanently lost solely due to changes in accounting standards, on June 7, 2011, the independent directors passed a resolution to account for the differences that have accrued from the changes.

Summary of changes

Hurdle Calculation Under Canadian GAAP <i>(in thousands)</i>		Adjustments for 2011 <i>(in thousands)</i>	
2009 Hurdle (a)	\$ 11,533	Cumulative Canadian GAAP Hurdle	\$ 44,618
2009 Pre-tax Loss	3,510	Less: 2010 pre-tax fiscal year changes (b)	(17,768)
2010 Hurdle (a)	13,133	Less: applicable OBS changes (c)	(8,020)
2010 Pre-tax Loss	16,443	Plus: increase Hurdle from IFRS NAV ¹ (d)	285
Canadian GAAP Hurdle as at Dec. 31, 2010¹	\$ 44,618	IFRS Hurdle as at Dec. 31, 2010¹	\$ 19,115

1. A positive number denotes the pre-tax profits required before an incentive fee is payable (as defined in the MSA)

- (a) Calculation of the 2009 and 2010 Hurdle

Calculation derived by the yield on the Canadian 30 year generic bond index multiplied by the sum of Canadian GAAP shareholders' equity and Canadian GAAP management fee for the appropriate period.

- (b) 2010 fiscal year changes

The financial statement impact of 2010 operations under IFRS is described in detail above. The impact of fair valuing the gold bullion, net of the estimated deferred tax liability, at the current fair market value, add an additional \$26.4 million to both 2010 pre-tax earnings and to 2010 closing Net Asset Value. There are also numerous less material adjustments quantified above.

(c) Applicable OBS changes

Upon transition to IFRS, there are approximately \$8.0 million of pre-tax earnings (the "IFRS Earnings") from periods prior to January 1, 2010 that, if recorded in the consolidated statement of profit (loss) and comprehensive income (loss), would have reduced the cumulative Hurdle. Under the transition to IFRS, the adjustment has been recorded directly to opening retained earnings in the Company's IFRS financial statements dated June 30, 2011 and the pre-tax earnings are permanently lost. The primary factor in the adjustment relates to the fair value of the Company's gold bullion, net of future taxes.

(d) Increase in Hurdle from other adjustments to shareholders' equity

Other adjustments in contributed surplus, non-controlling interest and increased retained earnings due to the aforementioned adjustments ("Other IFRS Equity Adjustments") cause the IFRS shareholders' equity to be understated by an additional \$672 thousand. The impact was an increase in the Hurdle of \$285 thousand.

Other MSA considerations under IFRS

The other material IFRS impact on the MSA is that non-controlling interest is presented as a component of shareholders' equity rather than as a long-term liability. The impact would have been to significantly increase Net Asset Value which would increase the Management Fee as well as the Hurdle.

Under IFRS, the Company will consolidate 100% of its subsidiary income and losses and the share of the minority's interest in the net income or loss will be adjusted directly in equity. This would have had the effect of decreasing net income for when, on a net basis, SRC's partially owned subsidiaries have losses and increasing net income when, on a net basis, they have income.

The independent directors determined that, in keeping with the spirit of the agreement with SCLP, the calculation should not change and that the non-controlling interest per the statement of financial position should be deducted from the shareholders' equity in calculating the management fee (treat non-controlling interest as a liability) and net the non-controlling interest impact from the consolidated statement of profit (loss) and comprehensive income (loss) in 2010, 2011 and onwards. Pursuant to the Reorganization, the partnership agreement reflects this decision by the independent directors.

FORWARD SALES CONTRACTS

The Company has not entered into any off-balance sheet arrangements such as contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or with respect to any obligations under a variable interest equity arrangement. As part of its normal operations, One Earth Farms has entered into forward contracts with grain buyers for the physical delivery of a portion of its harvested crop production. These forward contracts qualify for the normal sales and purchases exemption and therefore changes in fair value are not recorded in either the interim consolidated statements of financial position or in interim consolidated statements of income. The forward sales contracts entered into in 2011 had been with counterparties that have Standard and Poor's credit ratings of BBB- or better or have been licensed and bonded by the Canadian Grain Commission.

The following are contracts outstanding at September 30, 2011:

	Contract Date	Volume (tonnes)	Net Price (\$ / tonne)	Total Value (\$000)	Percentage Delivered
Canola	Oct - Nov 2011	7,500	\$ 458	\$ 3,435	19.0%
Malt Barley	Oct 2011 - July 2012	27,078	276	7,474	0.0%
Canola (basis contract only)	Nov 2011 - Mar 2012	20,500	tbd	tbd	44.9%
Total		55,078	\$	10,909	

Financial Instruments and Risk Management

Fair value of financial instruments

The Company's financial instruments consist of cash and cash equivalents, short-term investments, trade and other receivables, investments and trade and other payables. 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. Investments in securities of publicly-traded and private companies where fair value can be determined are reported at fair value. The fair values of the other instruments approximate their book value due to their short-term nature.

One Earth Farms has and will likely continue to utilize financial instruments to partially mitigate price risks and facilitate the generation of more predictable cash flows to fund its capital expenditures. One Earth Farms has committed to deliver certain crops harvested in 2011 using forward based cash contracts (see above “*Off-Balance Sheet Arrangements*” above for additional information).

Commodity price risk

Commodity price risk is the risk that global prices of a particular commodity, e.g. oil, natural gas liquids, natural gas, agricultural crops or livestock, will be such that the Company’s subsidiaries may not be able to recover their costs of production through sales of that production. The Company’s subsidiaries may engage in various programs to mitigate this risk.

One Earth Farms has initiated price stability programs which serve to mitigate this risk. During 2011, the company had entered into forward contracts to lock in the selling price for a portion of its current year crop production.

A 10% change in oil and gas commodity prices would increase or decrease the Company’s net income by approximately \$1.1 million. The results of the sensitivity should not be considered to be predictive of future performance.

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. Trade and other receivables 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.

Waseca is exposed to credit risk through the sale of oil, represented on the balance sheet as trade and other receivables. Amounts due from oil and gas marketers are generally collected on the 25th day of the month following production. Waseca markets its oil to two marketers which results in a concentration of credit risk. Waseca only markets its oil to reputable marketers, typically the prominent publicly traded marketers in the Lloydminster area. As at September 30, 2011, Waseca’s entire trade and other receivables balance was due from two marketers, which was collected on October 25, 2011.

One Earth Farms is exposed to credit risk with its industry, trade, government and operating partners. During the nine month period ended September 30, 2011, One Earth Farms has recorded an allowance for doubtful accounts of \$56 thousand.

The Company’s cash is held primarily through large Canadian financial institutions. Short-term investments consist of Government of Canada treasury bills, which have an original maturity of three months or more from the date of purchase and are readily convertible into a known amount of cash.

Liquidity risk

The Company manages liquidity risk by maintaining sufficient cash and cash equivalent balances to enable settlement of transactions on the due date.

The Company invests in securities of private companies. In some cases, the Company may be restricted by contract or by applicable securities laws from selling such securities for a period of time. The inability to sell such securities may impair the Company’s ability to exit such investments when the Company considers it appropriate.

Interest rate risk

The Company is exposed to minimal interest rate risk on its short-term investments with terms of maturity within one year. The interest rate on its short-term investments is at a fixed rate. The Company has no interest bearing debt.

The Company is exposed to interest rate risk to the extent that Waseca draws down on its debt facilities. Fluctuations in interest rates could result in a change in the amount Waseca pays to service its variable-interest debt. As at the date of the MD&A, Waseca has not drawn on its credit facility.

Foreign exchange rates

The Company is exposed to foreign exchange risk because the prices Waseca and OEOG receive for petroleum and natural gas are primarily determined in reference to U.S. dollars. In addition, OEOG incurs certain expenses in U.S. dollars. Waseca and OEOG manage these risks by monitoring foreign exchange rates and evaluating their effects on cash flows and continuously reviewing the benefits of hedging strategies.

A 1% change in the U.S. dollar to the Canadian dollar exchange rate would increase or decrease our annual net loss by an insignificant amount.

Crop failure risk

Crop failure risk is the risk that the planned harvest is not attained usually as a result of inclement weather periods that severely affect crop growing cycles. One Earth Farms, at this time, mitigates this risk with the appropriate amount of insurance available through private and government agencies.

Oil and gas production risk

Oil and gas wells may produce at lower initial production rates than planned, or face steeper decline rates. Operating costs can increase due to such considerations as unanticipated work-overs, or higher than expected costs associated with corrosion.

Operational risk

This category encompasses a number of risks. The Company and its subsidiaries follow prudent industry practices with respect to insurance where practicable and as guided by external experts, but cannot fully insure against all risks. With respect to non-insurable operating risks, management has designed business process controls and accountability to identify problems at the earliest possible occasion and implement solutions. However, investors must appreciate that operational risk is very much a characteristic of the individual businesses and industries, and can never be entirely eliminated.

Reserves

Waseca and OEOG retain independent reserve evaluators and had 100% of the reserves reviewed. The methodologies used assess the certainty of recovery on reserve categories under National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities (“NI 51-101”). As per NI 51-101, there is a 90% probability of attaining proven reserves and a 50% probability of attaining the proven plus probable reserves assigned. The Company’s subsidiaries plan to fund additional drilling and infrastructure expenditures from internal capital, internal cash flow, and their applicable credit facilities, in order to achieve the reserve assignments. There remains a probability that for technical or economic reasons, the reserves assigned may not be attained. As with operational risk, however, we again caution investors that reserve risk is endemic and cannot be eliminated.

Environmental and regulatory risks – Energy

Oil and gas industry activities entail numerous environmental impacts which can be detrimental. Even normal operations can generate carbon emissions. Wells can blow out, or pipelines can fail with consequent contamination of soil, air, and water. WestFire is a producer of natural gas with a high content of hydrogen sulphide, which is poisonous and can be fatal, thus requiring the highest standards of operational responsibility and emergency response practices and procedures.

The oil and gas industry is subject to extensive environmental legislation and regulations at Federal, Provincial, and Municipal levels. Thus, the Company and its subsidiaries are at risk not only to the cost of the incidents themselves, but to various sanctions which can be imposed by governments or government instrumentalities. Management fully expects that environmental legislation and regulations will become only stricter over time, and that the costs of compliance will grow. The international, and domestic, debate upon controls of greenhouse gas emissions will continue, with unpredictable but potentially material consequences for the industry. To mitigate environmental risk the Company conducts its operations to ensure compliance with government regulations and guidelines. Monitoring and reporting programs for environmental health and safety performance in day-to-day operations, as well as inspections and assessments, are designed to provide assurance that environmental and regulatory standards are met.

Environmental and regulatory risks – Agriculture

Primary agriculture (farming and ranching) activities entail some environmental impacts which can be detrimental. There is a risk of leakage of fuel and chemicals used for crop protection from the storage areas. Day-to-day field operation activities involve greenhouse gas emissions. However, compared to industrial activities, the level of carbon emissions is significantly below government regulated threshold levels currently in place in Canada. Additionally, the growing of crops, both annual and permanent, provides a valuable carbon sink to sequester carbon. On a net basis, primary agriculture generates carbon credits for sale to industrial emitters to aid them in offsetting emissions from their facilities.

The primary agriculture industry is subject to environmental legislation and regulations at the Federal and Provincial levels. The regulations involve the safe storage of fuel and chemicals used for crop protection.

Staffing

The Company and its subsidiaries all operate in a very competitive environment for professional and seasonal staff and this staff is critical to our ultimate success. Recognizing this, each company has developed an industry competitive, and in some cases leading, compensation program including: bonuses based on annual performance, benefits and a stock option program to provide for long-term incentive and retention.

OUTSTANDING SHARE DATA

Authorized capital:

Common shares, no par value, unlimited shares.

Issued and outstanding:

The Company had 112,826,710 common shares issued and outstanding as at November 10, 2011.

Outstanding stock options:

	As at November 10, 2011		
	Number	Exercise Price	Expiry Date
Stock options	75,000	\$3.32	Aug. 26, 2013
Stock options	75,000	\$2.98	Sept. 1, 2014
Stock options	120,000	\$4.41	Aug. 10, 2015
Stock options	150,000	\$4.99	Aug. 11, 2016
Total	420,000		

Normal Course Issuer Bid

In the third quarter of 2011 the Company did not purchase or cancel any common shares. For the nine months ended September 30, 2011, the Company has purchased and canceled 279 thousand common shares under the 2010 NCIB at an average cost of \$4.51 per share for a total cost of \$1.3 million.

Subsequent to quarter ended September 30, 2011 the Company has repurchased and canceled 300 thousand common shares under the 2011 NCIB at an average cost of \$3.87 per share for a total cost of \$1.2 million.

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.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Management has designed or caused to be designed under management's supervision, disclosure controls and procedures that provide reasonable assurance that (i) material information relating to the Company is made known to management by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual and interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

In conducting this evaluation, management has considered, among other things, the corporate charter and policies of the Company, including the Company's Disclosure Policy.

Management is also responsible for the fact that internal controls over financial reporting are designed, or caused to be designed under management's supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company has engaged an independent accounting firm to assist management in determining if any material weaknesses exist in its current internal controls, suggest best

practices when they are not being applied and also to test the key controls within the material financial cycles. No material weaknesses were found and as a result, no changes in the Company's internal controls over financial reporting were made during the quarter ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, management's internal control over financial reporting.

It should be noted that while the Officers of the Company, as certified in the Company's interim filings and as required under National Instrument 52-109 issued by the Canadian Securities Administrators, have evaluated the effectiveness of these disclosure controls and procedures and internal controls over financial reporting for the period ended June 30, 2011 and have concluded that they are effective, they do not expect that the disclosure controls and procedures of internal controls over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

OUTLOOK

Corporate

SRC Management continues to look for assets and/or companies at attractive valuations that, over the long term, will prove to be profitable to the Company.

As at the date of this MD&A, SRC owns approximately 18.2% of the total issued and outstanding common shares of Guide based on information contained in documents publicly filed by Guide, SRC has acquired the common shares of Guide for investment purposes. SRC may purchase or sell securities of Guide in the future on the open market, in private transactions or otherwise, depending on market conditions and other factors material to the investment decisions of SRC.

Waseca

Waseca completed a sixty-two well drilling program in early September focused on development drilling locations gained from their 2009 and 2010 exploration programs. In mid-October, Waseca resumed drilling activities with plans to drill an additional six to ten wells before the end of the year.

On October 18, 2011, the Board of Directors of Waseca initiated a process to identify, examine and consider a range of strategic alternatives available to maximize shareholder value. This process could result in a sale of Waseca, a sale of a material portion of the Waseca's assets, or a corporate reorganization among other alternatives. There are no guarantees that the process will result in a transaction or, if a transaction is entered into, as to its terms or timing. Waseca has retained the services of an independent investment bank to assist with this process.

Waseca has significantly increased production during 2011 and estimates that the 2011 drilling program should result in a December 31, 2011 exit production between 3,500 boe/day and 3,700 boe/day, exceeding previously issued guidance. Actual results are dependent on a variety of factors including: number of wells drilled in 2011; timing of drilling; weather; success rates; and production rates on future and existing wells

OEOG

OEOG continues to focus on developing liquids rich gas and oil prospects. OEOG has developed a drilling inventory with over 17 locations in central Alberta, including two wells offset to its current producing well. The oil and liquid rich gas locations have been prioritized for drilling in December 2011 to March 2012. Subject to access and regulatory approvals, OEOG expects to drill three additional wells in 2011 and another four wells in the first quarter of 2012.

Except as required under contractual agreements, exploration drilling in northern Montana will be deferred as OEOG determines the most economic approach in the region.

One Earth Farms

Harvest operations began on August 27, 2011 in south-eastern Saskatchewan with all other regions following closely thereafter. The timing of the harvest operations was in line with managements' expectations and close to the historical normal in the regions. Harvest operations were completed in the third week of October. Operationally, approximately 45% of the machinery and people moved between regions during the harvest operations which is above the 30% target for mobility.

The first version of the field operations data tracking system was implemented during the harvest operations. This platform is the first of its kind allowing for real-time data from the field to enable tracking of the crop products, weighing of the crops and facilitating field logistics.

During the quarter, the cattle operation acquired 2,278 cow/calf pairs and 145 yearling bulls. The yearling cattle on the pasture and pellet feeding program continued to show strong performance which is positive for the development of a range-fed beef product. The market ready cattle are targeted to be sold through two different natural beef pilot programs to assess market premiums.

Stonegate Agricom

At the Paris Hills project, Stonegate Agricom continues drilling with its objective of upgrading the existing mineral resource estimates. Preliminary evaluations of underground mining methods and beneficiation methods are expected to continue throughout 2011. The Company expects to publish a pre-feasibility study focusing on a direct-ship operation in the lower mineral zone by early 2012. Stonegate Agricom also intends to provide an update of the mineral resource in the deposit's upper zone in 2012.

At the Mantaro project, Stonegate Agricom completed its Category 1 exploration drilling program, during the second quarter of 2011, to further define and expand the mineral resource estimate for the property. Stonegate Agricom continues to work towards obtaining the Category 2 permits and community permission to conduct the next phase of exploration drilling at the Mantaro project; however, this process is taking longer than was expected as compared with the original plan due to regional elections, the conversion to non-metallic concessions, a presidential election and ongoing community consultations and as a result does not expect to commence its exploration drilling program at the Mantaro Project in 2011 as anticipated. Accordingly, Stonegate Agricom will focus its efforts towards further advancement of its community relations strategy.

OTHER INFORMATION

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