

Sprott Resource Corp.

Condensed Interim Consolidated Financial Statements
Third Quarter Ended September 30, 2011
(Unaudited – *expressed in Canadian dollars*)

Sprott Resource Corp.
Interim Consolidated Statements of Financial Position
As at September 30, 2011 and December 31, 2010
Unaudited – Amounts expressed in CAD,\$000's

	Sept. 30, 2011	Dec. 31, 2010
Assets		
Current Assets		
Cash and cash equivalents	42,769	91,315
Gold bullion (note 5)	114,603	105,597
Trade and other receivables	15,237	29,903
Farm inventory (note 6)	21,399	4,403
Biological assets (note 7)	9,218	1,556
	<u>203,226</u>	<u>232,774</u>
Non-Current Assets		
Property, plant and equipment (notes 9 and 14)	80,655	214,954
Exploration and evaluation assets (note 13)	13,338	15,326
Loan receivable (note 8)	395	-
Investments (note 10)	212,642	66,057
Investment in Stonegate Agricom Ltd. (note 11)	18,005	31,491
Long-term biological assets (note 7)	18,983	2,633
Goodwill (note 9)	1,901	-
Deferred income tax assets	-	7,323
	<u>345,919</u>	<u>337,784</u>
Total Assets	<u>549,145</u>	<u>570,558</u>
Liabilities		
Current Liabilities		
Bank loan (note 15)	1,765	-
Trade and other payables	16,788	37,315
Income taxes payable	-	92
Derivative financial instruments	-	3,432
	<u>18,553</u>	<u>40,839</u>
Non-Current Liabilities		
Bank credit facility	-	35,247
Asset retirement obligation (note 16)	5,362	13,870
Deferred income tax liabilities	6,381	-
Total Liabilities	<u>30,296</u>	<u>89,956</u>
Equity		
Capital stock (note 17b)	328,775	329,589
Contributed surplus	12,199	10,518
	<u>340,974</u>	<u>340,107</u>
Retained earnings	195,195	79,917
Accumulated other comprehensive (loss) income	(65,530)	13,141
Total equity attributable to shareholders of the Company	<u>470,639</u>	<u>433,165</u>
Non-controlling interest	<u>48,210</u>	<u>47,437</u>
Total Equity	<u>518,849</u>	<u>480,602</u>
Total Liabilities and Equity	<u>549,145</u>	<u>570,558</u>

Commitments (note 22)

Subsequent events (note 23)

Disposition of interest in Orion Oil & Gas Corporation - Discontinued Operations (note 12)

Approved by the Board of Directors

(signed) Michael Winn	(signed) Terrence A. Lyons
Chairman	Director

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

Sprott Resource Corp.
Interim Consolidated Statements of Income (Loss)
For the three and nine months ended September 30, 2011 and September 30, 2010
Unaudited – Amounts expressed in CAD\$000's

	Three months ended		Nine months ended	
	Sept. 30, 2011	Sept. 30, 2010	Sept. 30, 2011	Sept. 30, 2010
Revenue				
Oil and gas revenue	14,689	2,782	31,791	7,965
Oil and gas royalties	(3,484)	(634)	(7,696)	(1,831)
Farming revenue	4,597	2,473	8,311	4,768
	<u>15,802</u>	<u>4,621</u>	<u>32,406</u>	<u>10,902</u>
Other income and expenses				
General and administrative expense	4,469	2,967	11,815	8,709
Management fees (notes 18a)	2,716	1,659	7,691	4,563
Incentive fee	(14,768)	-	-	-
Oil and gas operating and exploration costs	6,310	1,267	14,188	5,253
Oil and gas depreciation and depletion	2,805	437	5,651	887
Farm production costs	8,219	4,037	25,168	10,748
Fair value adjustment to biological assets	3,412	(202)	(13,084)	(4,562)
Other farm expenses	3,752	1,579	9,326	3,776
Crop costs of production and fair value adjustments	(17,222)	(1,247)	(14,406)	(649)
Loss (gain) on disposal of investments (notes 10 and 11)	25	11	(38,857)	(1,086)
Gain on dilution of investments	-	-	(244)	(12,623)
Foreign exchange loss	67	3	53	45
Fair value adjustment to gold bullion	(7,726)	(2,274)	(9,006)	(14,852)
Other (income) expense	(70)	234	(177)	161
Unrealized loss (gain) on investments held-for-trading (note 10)	19	(191)	168	227
	<u>(7,992)</u>	<u>8,280</u>	<u>(1,714)</u>	<u>597</u>
	<u>23,794</u>	<u>(3,659)</u>	<u>34,120</u>	<u>10,305</u>
Finance costs				
Finance expense (note 20)	(52)	(3)	(88)	(13)
	<u>(52)</u>	<u>(3)</u>	<u>(88)</u>	<u>(13)</u>
Equity loss in Stonegate Agricom Ltd. (note 11)	(166)	(1,250)	(2,421)	(3,957)
Income (loss) before income tax	<u>23,576</u>	<u>(4,912)</u>	<u>31,611</u>	<u>6,335</u>
Income tax				
Current income tax expense	(888)	-	(888)	-
Deferred income tax recovery (expense)	379	307	1,459	(1,964)
	<u>(509)</u>	<u>307</u>	<u>571</u>	<u>(1,964)</u>
Income (loss) from continuing operations	<u>23,067</u>	<u>(4,605)</u>	<u>32,182</u>	<u>4,371</u>
Discontinued operations				
Gain on sale of discontinued operations, net of taxes (note 12)	-	-	77,267	-
Income (loss), net of taxes, from discontinued operations (note 12)	-	756	(1,531)	(236)
	<u>-</u>	<u>756</u>	<u>75,736</u>	<u>(236)</u>
Income (loss) for the period	<u>23,067</u>	<u>(3,849)</u>	<u>107,918</u>	<u>4,135</u>
Income (loss) for the period attributable to:				
Non-controlling interest	2,677	(1,234)	740	(3,315)
Shareholders of the Company	20,390	(2,615)	107,178	7,450
Income (loss) for the period	<u>23,067</u>	<u>(3,849)</u>	<u>107,918</u>	<u>4,135</u>
Earnings (loss) per share from continuing operations				
Basic earnings (loss) per share (note 19a)	0.18	(0.03)	0.28	0.08
Fully diluted earnings (loss) per share (note 19b)	0.18	(0.03)	0.28	0.08
Earnings per share from discontinued operations:				
Basic earnings per share (note 19a)	-	0.01	0.67	-
Fully diluted earnings per share (note 19b)	-	0.01	0.67	-
Weighted average shares outstanding during the period				
Basic	113,279,590	96,664,108	113,280,656	96,622,094
Fully diluted	113,316,744	96,818,479	113,319,894	96,839,543

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

Sprott Resource Corp.
Interim Consolidated Statements of Comprehensive Income (Loss)
For the three and nine months ended September 30, 2011 and September 30, 2010
Unaudited – Amounts expressed in CAD\$000's

	Three months ended		Nine months ended	
	Sept. 30, 2011	Sept. 30, 2010	Sept. 30, 2011	Sept. 30, 2010
Income (loss) for the period	23,067	(3,849)	107,918	4,135
Stonegate Agricom Ltd. cumulative translation adjustment	504	195	350	(179)
Unrealized (losses) gains on available-for-sale investments (note 10)	(77,720)	3,928	(87,602)	6,815
Transfer of (losses) gains on available-for-sale investments	(24)	11	(2,878)	(1,086)
Deferred income taxes on available-for-sale investments	9,689	(397)	11,459	(1,645)
Total other comprehensive (loss) income	(67,551)	3,737	(78,671)	3,905
Total comprehensive (loss) income for the period, net of tax	(44,484)	(112)	29,247	8,040
Total other comprehensive (loss) income attributable to:				
Non-controlling interest	(32)	-	(32)	-
Shareholders of the Company	(67,519)	3,737	(78,639)	3,905
	(67,551)	3,737	(78,671)	3,905
Total comprehensive income (loss) attributable to:				
Non-controlling interest	2,645	(1,234)	708	(3,315)
Shareholders of the Company	(47,129)	1,122	28,539	11,355
	(44,484)	(112)	29,247	8,040
Accumulated other comprehensive income (loss)				
Accumulated other comprehensive income - Beginning of period, net of tax	2,021	425	13,141	257
Stonegate Agricom Ltd. cumulative translation adjustment	504	195	350	(179)
Unrealized (losses) gains on available-for-sale investments (note 10)	(77,720)	3,928	(87,602)	6,815
Transfer of (losses) gains on available-for-sale investments	(24)	11	(2,878)	(1,086)
Deferred income taxes on available-for-sale investments	9,689	(397)	11,459	(1,645)
Accumulated other comprehensive (loss) income - End of period, net of tax	(65,530)	4,162	(65,530)	4,162

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

Sprott Resource Corp.
Interim Consolidated Statements of Changes in Equity
For the nine months ended September 30, 2011 and September 30, 2010
Unaudited – Amounts expressed in CAD\$000's

	Capital stock	Warrants	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Non-controlling interest	Total
January 1, 2010	213,747	44,305	3,779	80,916	257	45,334	388,338
Net income (loss)	-	-	-	7,450	-	(3,315)	4,135
Share buy back	(156)	-	-	(159)	-	-	(315)
Exercise of warrants	15,326	-	-	-	-	-	15,326
Fair value of warrants	9,628	(9,628)	-	-	-	-	-
Exercise of stock options	175	-	-	-	-	-	175
Fair value of stock options	104	-	(104)	-	-	-	-
Stock-based compensation	-	-	4,394	-	-	-	4,394
Other comprehensive income	-	-	-	-	3,905	-	3,905
Non-controlling interest contributed surplus	-	-	(702)	-	-	702	-
Financing in subsidiaries	-	-	-	(57)	-	3,429	3,372
Dilution of subsidiary investments	-	-	-	(291)	-	291	-
Wintraysan financing in Orion	-	-	-	924	-	249	1,173
September 30, 2010	238,824	34,677	7,367	88,783	4,162	46,690	420,503
Net loss	-	-	-	(7,861)	-	(1,871)	(9,732)
Exercise of warrants	52,068	-	-	-	-	-	52,068
Fair value of warrants	32,711	(32,711)	-	-	-	-	-
Expiry of warrants	-	(1,966)	553	-	-	-	(1,413)
Shares issued for investment purchase	5,986	-	-	-	-	-	5,986
Stock-based compensation	-	-	3,247	-	-	-	3,247
Other comprehensive income	-	-	-	-	8,979	-	8,979
Non-controlling interest contributed surplus	-	-	(649)	-	-	649	-
Financing in subsidiaries	-	-	-	(1,054)	-	2,018	964
Dilution of subsidiary investments	-	-	-	49	-	(49)	-
December 31, 2010	329,589	-	10,518	79,917	13,141	47,437	480,602
Net income	-	-	-	107,178	-	740	107,918
Share buy back	(814)	-	-	(447)	-	-	(1,261)
Stock-based compensation	-	-	2,312	-	-	-	2,312
Other comprehensive loss	-	-	-	-	(78,671)	(32)	(78,703)
Non-controlling interest contributed surplus	-	-	(631)	-	-	631	-
Non-controlling interest investment in One Earth Farms	-	-	-	-	-	36,625	36,625
Dilution effect of financing in subsidiaries	-	-	-	8,547	-	(8,547)	-
Deconsolidation of subsidiary	-	-	-	-	-	(28,644)	(28,644)
September 30, 2011	328,775	-	12,199	195,195	(65,530)	48,210	518,849

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

Sprott Resource Corp.
Interim Consolidated Statements of Cash Flows
For the nine months ended September 30, 2011 and September 30, 2010
Unaudited – Amounts expressed in CAD\$000's

	Sept. 30, 2011	Sept. 30, 2010
Cash flows from (used in) operating activities		
Income for the period from continuing operations	32,182	4,371
Items not affecting cash		
Gain on disposal of investments	(38,857)	(1,086)
Gain on dilution of investments	(244)	(12,623)
Unrealized losses on investments held-for-trading	168	227
Impairment of investments	-	293
Equity loss in Stonegate Agricom Ltd.	2,421	3,957
Depletion, depreciation and farm amortization	8,764	887
Asset retirement obligation accretion	72	13
Deferred income tax (recovery) expense	(1,459)	1,964
Stock-based compensation	2,205	618
Dry hole costs and impairment losses	3,433	820
Fair value adjustment to gold bullion	(9,006)	(14,852)
Market value changes and changes to biological assets	(13,084)	(1,164)
Loss on disposal of property, plant and equipment	196	-
	<u>(13,209)</u>	<u>(16,575)</u>
Changes in non-cash operating working capital		
Trade and other receivables	(1,785)	(2,123)
Farm inventory	(16,945)	(5,448)
Trade and other payables	5,866	584
Income taxes payable	796	(175)
	<u>(12,068)</u>	<u>(7,162)</u>
Cash used in operating activities - continuing operations	(25,277)	(23,737)
Cash provided from operating activities - discontinued operations	8,451	30,031
CASH (USED IN) PROVIDED FROM OPERATING ACTIVITIES	<u>(16,826)</u>	<u>6,294</u>

Statements of cash flows continue on next page

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

Sprott Resource Corp.
Interim Consolidated Statements of Cash Flows
For the nine months ended September 30, 2011 and September 30, 2010
Unaudited – Amounts expressed in CAD\$000's

	Sept. 30, 2011	Sept. 30, 2010
Cash flows from (used in) investing activities		
Increase in loan receivable	(395)	-
Purchase of investments	(48,008)	(13,860)
Investment in Stonegate Agricom Ltd.	-	(11,789)
Proceeds on sale of investments	8,014	2,912
Proceeds on sale of investment in Stonegate Agricom Ltd.	47,684	-
Purchase of property, plant and equipment	(30,654)	(26,105)
Purchase of goodwill	(1,901)	-
Proceeds on disposal of property, plant and equipment	2,273	-
Additions to exploration and evaluation assets	(28,632)	-
Proceeds on sale of long-term livestock inventory	-	294
Investment in long-term biological assets	(10,979)	(1,956)
Purchase of deferred tax asset	1,741	-
Cash used in investing activities - continuing operations	(60,857)	(50,504)
Cash used in investing activities - discontinued operations	(25,544)	(40,272)
CASH USED IN INVESTING ACTIVITIES	(86,401)	(90,776)
Cash flows from (used in) financing activities		
Financing in subsidiaries	37,084	3,960
Proceeds (repayments) from bank loan	1,765	(18)
Proceeds from exercise of warrants	-	15,407
Proceeds from exercise of options	-	175
Normal course issuer bid	(1,261)	(315)
Cash provided from financing activities - continuing operations	37,588	19,209
Cash provided from financing activities - discontinued operations	17,093	9,542
CASH PROVIDED FROM FINANCING ACTIVITIES	54,681	28,751
Change in cash and cash equivalents	(48,546)	(55,731)
Cash and cash equivalents – Beginning of period - continuing operations	91,315	106,386
Cash and cash equivalents – Beginning of period - discontinued operations	-	699
Cash and cash equivalents – End of period - continuing operations	42,769	51,354
Cash and cash equivalents – End of period - discontinued operations	-	-
Cash and cash equivalents – End of period	42,769	51,354

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

Sprott Resource Corp.
Notes to Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2011 and 2010
Unaudited – Amounts expressed in Canadian dollars

1. Corporate Information

Sprott Resource Corp. (“SRC” or the “Company”) was incorporated under the *Canada Business Corporations Act* (“CBCA”) on August 19, 1994. The primary purpose of the Company is to invest in the natural resource sector through acquisitions, joint ventures and the creation of new companies. 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.

The Company is listed on the Toronto Stock Exchange (“TSX”).

These consolidated financial statements are presented in Canadian dollars and include the accounts of the Company and the following subsidiaries: Waseca Energy Inc. (“Waseca”); One Earth Farms Corp. (“One Earth Farms”); and One Earth Oil and Gas Inc. (“OEOG”). In addition, the Company equity accounts for Stonegate Agricom Ltd. (“Stonegate Agricom”).

Effective June 30, 2011, SRC no longer consolidates Orion Oil & Gas Corporation’s (“Orion”) financial position and results. Orion’s three month results for the period ended September 30, 2011 are not recorded in the Company’s interim consolidated statements of income. The interim consolidated statements of income include the six month results of Orion in the nine month periods ended September 30, 2011 and 2010 and are presented as discontinued operations.

The Company’s head office is located at 200 Bay Street, Suite 2750, Royal Bank Plaza, South Tower, Toronto, Ontario, Canada, M5J 2J2.

2. Basis of Presentation and Adoption of IFRS

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (“IFRS”), and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company commenced reporting on this basis in its 2011 interim consolidated financial statements. In these financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standards (“IAS”) 34, Interim Financial Reporting, and IFRS 1, First-time Adoption of International Financial Reporting Standards. The accounting policies followed in these interim financial statements are the same as those applied in the Company’s interim financial statements for the period ended March 31, 2011. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 4 discloses the impact of the transition to IFRS on the Company’s reported equity as at September 30, 2010 and income and comprehensive income for the three and nine months ended September 30, 2010. This note also includes the nature and effect of significant changes in accounting policies from those used in the Company’s consolidated financial statements for the year ended December 31, 2010.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as at November 10, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including transition adjustments recognized on change-over to IFRS.

The condensed interim consolidated financial statements should be read in conjunction with the Company’s Canadian GAAP annual audited financial statements for the year ended December 31, 2010, and the Company’s interim consolidated financial statements for the quarter ended March 31, 2011 prepared in accordance with IFRS applicable to interim consolidated financial statements.

Sprott Resource Corp.
Notes to Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2011 and 2010
Unaudited – Amounts expressed in Canadian dollars

IFRS 1

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

Estimates - Estimates under IFRS 1 as at January 1, 2010, 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, 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.

Subsidiaries and Associated Companies

The consolidated financial statements are presented in Canadian dollars and include the accounts of the Company and its subsidiaries: Waseca, One Earth Farms and OEOG. The Company's former subsidiary Orion has been accounted for in the statements of income for the nine months ended September 30, 2011 and 2010 as a discontinued operation. The assets and liabilities have been deconsolidated as at June 30, 2011. The Company equity accounts for Stonegate Agricom.

Sprott Resource Corp.
Notes to Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2011 and 2010
Unaudited – Amounts expressed in Canadian dollars

The Company's subsidiaries, former subsidiaries and associates as at September 30, 2011 and December 31, 2010 are as follows:

Subsidiary, former subsidiary or associate	Interest at Sept. 30, 2011	Interest at Dec. 31, 2010	Functional Currency
OEOG (subsidiary)	88.2%	90.7%	Canadian \$
Waseca (subsidiary)	81.1%	81.3%	Canadian \$
One Earth Farms (subsidiary)	58.1%	72.7%	Canadian \$
Orion (former subsidiary - see below)	0%	78.9%	Canadian \$
Stonegate Agricom (associate)	32.7%	54.0%	U.S. \$

On June 30, 2011, SRC announced that its former subsidiary Orion had completed its strategic merger with WestFire Energy Ltd. ("WestFire") (TSX: WFE) pursuant to the previously announced plan of arrangement (the "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. SRC owns 99.4% of the WestFire Non-Voting Shares and approximately 19.5% of the WestFire Shares.

SRC acquired the WestFire Shares and WestFire Non-Voting Shares for investment purposes. Subject to the restrictions set forth in the investor agreement dated May 11, 2011 between WestFire and SRC, a copy of which is available on SEDAR, SRC may purchase or sell securities of WestFire in the future on the open market or in private transactions, depending on market conditions and other factors material to the investment decisions of SRC.

Prior to the completion of the Arrangement, SRC held 229,334,351 common shares of Orion ("Orion Shares"). The closing price of the Orion Shares on the TSX on June 30, 2011 was \$0.83 per share.

As described in Note 12, effective June 30, 2011, SRC no longer consolidates Orion's results, financial position and cash flows. SRC ceases to have the ability to exercise control over Orion and the continuing investment in WestFire has been classified as available-for-sale ("AFS"). The Company has consolidated Orion's earnings to June 30, 2011.

Waseca was incorporated under the CBCA on December 11, 2007. Waseca is a private oil and gas company whose primary focus is heavy oil production in the Lloydminster area and is located on the border of Alberta and Saskatchewan.

One Earth Farms was incorporated under the CBCA on February 5, 2009. One Earth Farms is building a fully-integrated corporate farming entity focused primarily on agricultural production of crops and livestock in the Prairie Provinces of Western Canada. As expected from any farming operation, seasonal differences in sales and operations are applicable.

OEOG was incorporated under the CBCA on April 25, 2008. OEOG focuses on, among other things, developing oil and gas properties on First Nations land in Western Canada and the northern United States.

Stonegate Agricom is a public Canadian company engaged in the acquisition, exploration and development of agricultural nutrient projects and is currently focused on the exploration and development of the Mantaro Property, a phosphate deposit in Peru, and the Paris Hills Property, a phosphate deposit in Idaho, USA.

Pursuant to a Voting Agreement, the Company has never controlled Stonegate Agricom and has equity accounted for its investment in this associate. The Company agreed to vote its Stonegate Agricom shares in favour of each nominee to the Board of Directors proposed by the management of Stonegate Agricom for a period of three years from the date of the initial public offering ("IPO") of Stonegate Agricom, provided that one such nominee is a representative of the Company.

Sprott Resource Corp.
Notes to Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2011 and 2010
Unaudited – Amounts expressed in Canadian dollars

3. Summary of Significant Accounting Policies

This is the first year in which the Company has prepared its financial statements in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”). The accounting policies applied in preparing these interim consolidated financial statements are consistent with those disclosed in the financial statements for the period ended March 31, 2011. These financial statements are available on www.sedar.com.

4. Adoption of IFRS

In 2010, the 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 have been presented in Note 2.

Sprott Resource Corp.
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Unaudited – Amounts expressed in Canadian dollars

Reconciliation of equity between Canadian GAAP and IFRS based on the consolidated statement of financial position as at September 30, 2010.

<i>(in thousands)</i>	Sept. 30, 2010		IFRS
	Canadian GAAP	Adjustments on transition to 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
	156,492	25,380	181,872
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
	39,068	-	39,068
<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
	280,046	822	280,868
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
	343,622	76,881	420,503
Total Liabilities and Equity	446,686	34,536	481,222

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Reconciliation between Canadian GAAP and IFRS for the consolidated statements of income (loss) and total comprehensive income (loss) for the three months and nine months 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)

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	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 (e) (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

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IFRS 1

Differences relating to IFRS adjustments for the Company's opening balance sheet as at January 1, 2010 and for the year ended December 31, 2010 have been explained in the Company's interim consolidated financial statements for the three month period ended September 30, 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.

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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 the asset retirement obligation (“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. Also, 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.

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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.

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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 reflected, but on an overall basis, net cash flow did not change.

5. Gold Bullion

As at							
Sept. 30, 2011				Dec. 31, 2010			
Ounces (#)	Cost (\$000's)	Average cost per ounce (\$)	Fair value (\$000's)	Ounces (#)	Cost (\$000's)	Average cost per ounce (\$)	Fair value (\$000's)
73,971	\$75,392	\$1,019	\$114,603	73,971	\$75,392	\$1,019	\$105,597

6. Farm Inventory

Inventories consist of:

<i>(in thousands)</i>	As at	
	Sept. 30, 2011	Dec. 31, 2010
Seed, fertilizer and chemicals	\$1,630	\$606
Grain inventory available for sale	17,733	3,527
Cattle feed	1,059	270
Parts and supplies	977	-
Closing balance	\$21,399	\$4,403

7. Biological Assets

Changes during the year in livestock intended to be sold (current biological assets) are as follows:

	For the nine and twelve month periods ended respectively			
	Sept. 30, 2011		Dec. 31, 2010	
	Quantity (#)	Amount (\$000's)	Quantity (#)	Amount (\$000's)
Livestock intended to be sold				
Livestock assets – Beginning of period	1,718	\$1,556	925	\$647
Increases due to acquisitions	-	-	122	80
Increases due to new calves	-	-	1,550	1,549
Increase (decrease) due to transfer from other categories	(555)	(769)	181	170
Decreases due to impairment loss	(21)	(23)	(27)	(25)
Decreases due to sales	(694)	(943)	(1,033)	(1,030)
Change in fair value less estimated point-of-sale costs	-	678	-	165
Livestock assets – End of period	448	\$499	1,718	\$1,556
	Quantity (# Acres)	Sept. 30, 2011 Amount (\$000's)	Quantity (# Acres)	Dec. 31, 2010 Amount (\$000's)
Standing crop				
Standing crop assets – Beginning of period	-	\$ -	-	\$ -
Increase due to planting	96,410	27,555	32,151	7,378
Decrease due to harvest	-	(18,836)	-	(7,378)
Standing crop assets – End of period	96,410	\$8,719	32,151	\$ -
Biological assets – End of period		\$9,218		\$1,556

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Changes in breeding herd (long-term biological assets) carrying values and quantities are as follows:

	For the nine and twelve month periods ended respectively			
	<i>Quantity (#)</i>	Sept.30, 2011 <i>Amount (\$000's)</i>	<i>Quantity (#)</i>	Dec. 31, 2010 <i>Amount (\$000's)</i>
Long-term biological assets – Beginning of period	1,902	\$2,633	633	\$587
Increases due to acquisitions	6,757	10,979	1,813	2,487
Increases (decreases) due to transfer to other categories	555	769	(181)	(170)
Decreases due to impairment loss	(24)	(45)	(59)	(79)
Decreases due to sales	(144)	(146)	(304)	(389)
Change in fair value less estimated point-of-sale costs	-	4,793	-	197
Long-term biological assets – End of period	9,046	\$18,983	1,902	\$2,633

8. Loan Receivable

During the quarter, a loan agreement was signed between a First Nation partner and One Earth Farms as lender to contribute 30% of the project funding for a grain storage project. The amount of the loan is \$395 thousand with an annual interest rate of 6.25%. Blended principal and interest payments are \$48 thousand in April and November until April 2016. The primary source of repayment is the right to offset against rental payments owing by One Earth Farms to the First Nation partner on specific crop and cattle lands. The secondary course of repayment is a registered second charge mortgage on the 90 acres and land and buildings on which the grain handling facility is located.

9. Acquisitions

On June 1, 2011, One Earth Farms completed a business combination of a corporate farming operation. One Earth Farms purchased all the common shares of 1213243 Alberta Ltd. ("Farm Corp.") for cash consideration of \$10.7 million plus an initial assessment of working capital adjustments of \$1.4 million for a total of \$12.1 million. The Company acquired a turn-key farming operation east of Edmonton, Alberta, consisting of over 29,500 acres of leased farm land for crops, approximately \$9.3 million of farm machinery, storage and equipment, and an experienced workforce of about 25 employees. The services of the former owner of Farm Corp. have been retained under an employment contract. The purchase price has been preliminarily allocated as follows:

<i>(in thousands)</i>	<i>(\$000's)</i>
Cash and cash equivalents	\$ 45
Fertilizer, seed and chemical	673
Prepaid land rent	597
Income taxes recoverable	191
Accounts payable	(109)
Equipment and grain storage	9,382
Preferable lease contracts	1,200
Deferred taxes	(1,741)
Goodwill	1,901
Total acquisition	\$ 12,139

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10. Investments

The Company has a portfolio of investments in securities of public and private companies. The Company holds less than 20% of voting shares outstanding of companies included in the investments noted in the balances below.

<i>(in thousands)</i>	Nine month	
	Period ended	Year ended
	Sept. 30, 2011	Dec. 31, 2010
Opening balance at fair value	\$66,057	\$33,750
Acquisitions during the period	48,008	28,800
Acquisition of WestFire by share for share exchange of Orion (Note 12)	194,361	-
Unrealized gains (losses) on available-for-sale investments during the period	(87,602)	21,191
Impairment of investments	-	(293)
Unrealized loss on held-for-trading investments during the period	(168)	(110)
Proceeds on disposal of investments at fair market value	(8,014)	(17,281)
Closing balance at fair value	\$212,642	\$66,057

AFS public investments are measured at fair value. AFS private investments are measured at fair value unless the fair value cannot be reliably measured, and are then measured at cost. Held-for-trading investments (“HFT”) are measured at fair value.

<i>(in thousands)</i>	As at	
	Sept. 30, 2011	Dec. 31, 2010
Public securities – common shares – AFS	\$157,133	\$9,166
Public securities – warrants – HFT	-	168
Private securities – common shares – AFS	55,509	56,723
Total investments	\$212,642	\$66,057

11. Investment in Stonegate Agricom

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

The Company initially owned 60 million common shares representing an 81% interest in Stonegate Agricom. As at September 30, 2011, the Company holds 46,912,000 common shares (32.8% interest) in Stonegate Agricom. Pursuant to a Voting Agreement, the Company has never controlled Stonegate Agricom and has equity accounted for its investment. The Company agreed to vote its Stonegate Agricom shares in favour of each nominee to the Board of Directors proposed by the management of Stonegate Agricom for a period of three years from the date of the IPO of Stonegate Agricom, provided that one such nominee is a representative of the Company.

In April 2010, Stonegate Agricom closed its IPO, including the underwriters’ exercise of their over-allotment option, of 51,750,000 Units at a price of \$1.00 per Unit for gross proceeds of \$52 million. Each Unit consisted of one common share (“Stonegate Common Share”) and one-half of one common share purchase warrant (each whole common share purchase warrant “Stonegate Warrant”). Each Stonegate Warrant entitles the holder to acquire one Stonegate Common Share at an exercise price of \$1.50 until April 28, 2013. As part of the IPO, the Company subscribed for 12 million Units.

In March 2011, the Company announced the closing of a secondary offering of 25 million common shares of Stonegate Agricom by SRC at a price of \$1.75 per common share for aggregate gross proceeds of \$43.8 million and recognized a gain of \$31.2 million. After giving effect to the transaction, the Company owned 50,662,000 common shares (36.2% interest) in Stonegate Agricom.

In April 2011, the Company announced that the underwriters of the secondary offering of common shares of Stonegate Agricom exercised their over-allotment option in full, resulting in the sale of an additional 3,750,000 common shares at a price of \$1.75 per share for additional aggregate gross proceeds of \$6.6 million.

12. Disposition of Interest in Orion – Discontinued Operations

As a result of the share for share exchange with WestFire, the Company no longer consolidates the financial position and results of Orion effective June 30, 2011 (Note 2). The result of this transaction on the Company's financial statements is described as follows:

The interim consolidated statement of financial position and related notes as at December 31, 2010 reflect the consolidation of Orion.

The interim consolidated statement of income and interim consolidated statement of comprehensive income and related notes for the nine month period ended September 30, 2011 reflect the earnings from Orion as discontinued operations.

The interim consolidated statement of cash flows and related notes for nine month period ended September 30, 2011 reflect Orion's cash flows for the period and are presented as discontinued operations.

The share exchange between Orion and WestFire has been recorded as a disposition of Orion by the Company. The gain recorded on this disposition along with the net assets is presented below.

Orion share exchange resulting in loss of control

Immediately prior to the transaction, the Company held 78.9% voting control of Orion. As a result of the Arrangement completed on June 30, 2011, the Company's ownership interest in the amalgamated entity of WestFire aggregated to include the WestFire Shares and the WestFire Non-Voting Shares was 34.59%.

The Company holds 19.5% of the voting shares of WestFire. The Company does not control or have the ability to exert significant influence of WestFire as a result of this transaction and as such accounts for the WestFire investment as AFS. If an investor holds, directly or indirectly (e.g. through subsidiaries), less than 20 per cent of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated.

The proceeds of disposition were calculated based on the WestFire closing bid price for common shares of \$6.78 at June 30, 2011. The combined number of WestFire Shares received by the Company in exchange for its 229,334,351 Orion Shares was 13,153,936 WestFire Shares and 15,512,858 WestFire Non-Voting Shares.

Restrictions of WestFire Shares and WestFire Non-Voting Shares

The WestFire Shares owned, controlled, or directed by the Company are subject to an escrow or contractual hold arrangement for a period of 18 months from June 30, 2011 except with consent of the WestFire Board of Directors, which may not be unreasonably withheld.

The WestFire Non-Voting Shares are transferrable and immediately convertible (in whole or in part) into WestFire Shares on a one for one basis provided the transfer or conversion, as the case may be, would not result in the transferee or holder, respectively, holding 20% or more of the then outstanding WestFire Shares. In addition, the Company must provide reasonable written notice to WestFire prior to the sale of any of its WestFire Non-Voting Shares and agree that, subject to WestFire's approval, any sale or sales (on a combined basis) will not be less than \$10 million of proceeds to SRC in the aggregate.

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	<i>(\$000's)</i>
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	\$ 88,415
Less: deferred income tax provision	(11,148)
Net gain on sale of discontinued operations	<u>\$ 77,267</u>
Carrying value of WestFire	
<i>(\$000's)</i>	
Carrying value as at June 30, 2011	\$ 194,361
Less: Decline in Q3 2011 value - recorded in OCI	(73,674)
Carrying value as at September 30, 2011	120,687
Reduction in deferred tax liability	(1,843)
Carrying value, net of tax, as at September 30, 2011	<u>\$ 118,844</u>

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13. Exploration and Evaluation Assets

Exploration and evaluation assets comprise those related to the exploration for and evaluation of oil and natural gas reserves which are pending the determination of proven or probable reserves. The following table represents the amounts included in exploration and evaluation assets and the changes during the period.

<i>(in thousands)</i>	Waseca	OEOG	Total	Total
	Sept. 30, 2011	Sept. 30, 2011	Sept. 30, 2011	Dec. 31, 2010
Balance – Beginning of period	\$11,824	\$3,502	\$15,326	\$13,539
Additions	25,287	3,345	28,632	13,614
Transfers from PP&E	1,948	552	2,500	1,329
Transfers to PP&E	(29,019)	(668)	(29,687)	(12,739)
Dry hole costs	(1,401)	-	(1,401)	(417)
Impairment losses	(743)	(1,289)	(2,032)	-
Balance – End of period	\$7,896	\$5,442	\$13,338	\$15,326

During the nine month period ended September 30, 2011, drilling costs totalling \$1.4 million have been expensed to exploration costs as dry hole costs (\$0.4 million for year ended December 31, 2010). Dry holes comprise both wells that were deemed dry holes upon drilling completion and wells which were put into production but ultimately were not economic to produce. Also during the period, Waseca recorded an impairment loss of \$0.7 million due to an exploration license that is scheduled to expire in October 2011.

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14. Property, Plant and Equipment

a) Oil and Gas PP&E

	Oil and gas properties (\$000's)	Processing and other equipment (\$000's)	Office equipment (\$000's)	Other (\$000's)	Total (\$000's)
Cost-gross carrying amount					
Balance at January 1, 2011	212,972	11,201	716	222	225,111
Additions	30,985	5,672	41	4	36,702
Transfers from intangible assets	29,019	-	-	-	29,019
Transfers to intangible assets	-	(1,948)	-	-	(1,948)
Drilling royalty credits	(2,893)	-	-	-	(2,893)
Balance at September 30, 2011	<u>270,083</u>	<u>14,925</u>	<u>757</u>	<u>226</u>	<u>285,991</u>
Accumulated amortization					
Balance at January 1, 2011	(22,978)	(452)	(223)	(72)	(23,725)
Depreciation and depletion expense	(23,606)	(227)	-	(34)	(23,867)
Balance at September 30, 2011	<u>(46,584)</u>	<u>(679)</u>	<u>(223)</u>	<u>(106)</u>	<u>(47,592)</u>
Net book value – September 30, 2011	<u>223,499</u>	<u>14,246</u>	<u>534</u>	<u>120</u>	<u>238,399</u>
Net PP&E of discontinued operations	(184,931)	(8,047)	(534)	-	(193,512)
Net book value – September 30, 2011	<u>38,568</u>	<u>6,199</u>	<u>-</u>	<u>120</u>	<u>44,887</u>
Cost-gross carrying amount					
Balance at January 1, 2010	124,627	8,386	318	155	133,486
Additions	79,966	4,144	398	67	84,575
Transfers from intangible assets	12,739	-	-	-	12,739
Transfers to intangible assets	-	(1,329)	-	-	(1,329)
Impairment losses	(466)	-	-	-	(466)
Disposals	(317)	-	-	-	(317)
Drilling royalty credits	(4,234)	-	-	-	(4,234)
Balance at December 31, 2010	<u>212,315</u>	<u>11,201</u>	<u>716</u>	<u>222</u>	<u>224,454</u>
Accumulated amortization					
Balance at January 1, 2010	(424)	(20)	(43)	(31)	(518)
Depreciation and depletion expense	(20,318)	(432)	(180)	(41)	(20,971)
Impairment losses	(2,252)	-	-	-	(2,252)
Disposals	16	-	-	-	16
Balance at December 31, 2010	<u>(22,978)</u>	<u>(452)</u>	<u>(223)</u>	<u>(72)</u>	<u>(23,725)</u>
Net book value – December 31, 2010	<u>189,337</u>	<u>10,749</u>	<u>493</u>	<u>150</u>	<u>200,729</u>

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b) Agriculture PP&E

	Buildings and leasehold improvements (\$000's)	Direct (\$000's)	Other farm (\$000's)	equipment and information technology (\$000's)	Total (\$000's)
Cost-gross carrying amount					
Balance at January 1, 2011	1,026	9,881	5,348	108	16,363
Additions	2,283	17,561	6,930	357	27,131
Disposals	-	(2,748)	(133)	-	(2,881)
Balance at September 30, 2011	<u>3,309</u>	<u>24,694</u>	<u>12,145</u>	<u>465</u>	<u>40,613</u>
Accumulated amortization					
Balance at January 1, 2011	(61)	(1,373)	(652)	(54)	(2,140)
Amortization	(148)	(1,907)	(1,001)	(61)	(3,117)
Disposals	-	407	5	-	412
Balance at September 30, 2011	<u>(209)</u>	<u>(2,873)</u>	<u>(1,648)</u>	<u>(115)</u>	<u>(4,845)</u>
Net book value – September 30, 2011	<u>3,100</u>	<u>21,821</u>	<u>10,497</u>	<u>350</u>	<u>35,768</u>
Cost-gross carrying amount					
Balance at January 1, 2010	26	2,156	-	29	2,211
Additions	1,026	7,896	5,576	80	14,578
Disposals	(26)	(171)	(228)	-	(425)
Balance at December 31, 2010	<u>1,026</u>	<u>9,881</u>	<u>5,348</u>	<u>109</u>	<u>16,364</u>
Accumulated amortization					
Balance at January 1, 2010	(1)	(216)	-	(7)	(224)
Amortization	(61)	(1,159)	(659)	(47)	(1,926)
Disposals	1	2	8	-	11
Balance at December 31, 2010	<u>(61)</u>	<u>(1,373)</u>	<u>(651)</u>	<u>(54)</u>	<u>(2,139)</u>
Net book value – December 31, 2010	<u>965</u>	<u>8,508</u>	<u>4,697</u>	<u>55</u>	<u>14,225</u>

15. Bank loan

On January 17, 2011, Waseca obtained a credit facility in the amount of \$12.5 million with a Canadian chartered bank. On June 9, 2011, Waseca's credit facility was increased to \$25 million. The 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 is based on a grid system which is dependent on Waseca's trailing debt to funds flow ratio, 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, and both interest and standby fees are payable monthly.

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

At September 30, 2011, Waseca had \$1.8 million drawn on the facility (December 31, 2010: \$nil). Waseca initially drew on the facility in September and was charged an effective interest rate of 3.5%. As at September 30, 2011, the \$1.8 million draw has been offset by the amortization of the facility fee charged by the bank totaling \$33 thousand. Amortization of the fee is included in finance expense in the interim consolidated statements of income.

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16. Asset Retirement Obligation

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

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

	Waseca	OEOG
	Sept. 30, 2011	Sept. 30, 2011
Discount rate (%)	1.70	2.75
Inflation rate (%)	2	2
Life of wells (years)	7	7

Future undiscounted liability

The future undiscounted amount of ARO is estimated at \$5.9 million. All accretion expenses related to ARO are included within finance expense.

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

	Waseca	OEOG	Total from continuing operations		Discontinued operations	
<i>(in thousands)</i>	Sept 30, 2011	Sept 30, 2011	Sept 30, 2011	Dec 31, 2010	Sept 30, 2011	Dec 31, 2010
ARO – Beginning of period-continuing operations	1,973	124	2,097	427	11,809	7,104
Provisions acquired through acquisitions	-	-	-	-	-	973
Provisions incurred during the period	2,344	554	2,898	1,497	815	1,336
Provisions settled during the period	-	-	-	-	(44)	-
Revisions (change in discount rate)	332	-	332	46	(380)	473
Revisions (change in estimates)	-	-	-	60	(45)	1,635
Accretion expense during the period	31	4	35	31	637	288
Discontinued operations in period	-	-	-	-	(12,792)	-
Total ARO	4,680	682	5,362	2,061	-	11,809

17. Shareholders' Equity

a) Authorized

Unlimited common shares with no par value.

The holders of the common shares are entitled to one vote per share and are entitled to dividends, when and if declared by the directors of the Company, and to the distribution of the residual assets of the Company in the event of the liquidation, dissolution or winding-up of the Company. No dividends have ever been declared or paid as at September 30, 2011.

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b) Issued and Outstanding

	Common shares	
	(#)	Amount (\$000's)
Balance – January 1, 2010	96,191,427	\$213,747
Exercise of warrants	15,857,451	67,394
Fair value of warrants exercised	-	42,339
Exercise of stock options	100,000	175
Fair value of stock options exercised	-	104
Capital stock issued for investment purchase	1,327,005	(156)
Normal course issuer bid – repurchase of capital stock	(70,000)	5,986
Balance – December 31, 2010	113,405,883	329,589
Normal course issuer bid – repurchase of capital stock	(279,373)	(814)
Balance – September 30, 2011	113,126,510	\$328,775

c) Stock Options

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

	Nine months ended Sept. 30, 2011		Year ended Dec. 31, 2010	
	Options (#)	Weighted avg. exercise price (\$)	Options (#)	Weighted avg. exercise price (\$)
Balance – Beginning of period	270,000	\$3.71	250,000	\$2.59
Granted	150,000	\$4.99	120,000	\$4.41
Exercised	-	-	(100,000)	\$1.75
Balance – End of period	420,000	\$4.17	270,000	\$3.71

The fair value of stock options granted was estimated as at the grant date using the Black-Scholes option pricing model. A nil% forfeiture rate was used to estimate the Company's stock-based compensation expense for the nine months ended September 30, 2011 (September 30, 2010: nil%). The assumptions used in determining the most recent stock options granted on August 12, 2011 are noted below:

	Aug. 12, 2011
Risk-free interest rate (%)	1.20
Expected life (years)	5
Expected volatility (%)	35.0
Fair value per option (\$)	\$1.62

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The following table summarizes information about the Company's stock options outstanding and exercisable at September 30, 2011 and December 31, 2010:

Exercise price (\$)	As at					
	Sept. 30, 2011			Dec. 31, 2010		
Options outstanding (#)	Weighted avg. remaining contractual life (years)	Options exercisable (#)	Options outstanding (#)	Weighted avg. remaining contractual life (years)	Options exercisable (#)	
\$3.32	75,000	1.91	75,000	75,000	2.66	50,000
\$2.98	75,000	2.92	50,000	75,000	3.67	25,000
\$4.41	120,000	3.88	40,000	120,000	4.63	-
\$4.99	150,000	4.87	-	-	-	-
\$4.17	420,000	3.71	165,000	270,000	3.82	75,000

Compensation expense for the nine months ended September 30, 2011 was \$149 thousand (September 30, 2010: \$103 thousand), all of which has been recorded in general and administrative expense.

d) Normal Course Issuer Bid

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. In the third quarter of 2011, the Company did not purchase or cancel any common shares. Year to date, the Company purchased and cancelled 279 thousand common shares under the prior year's Normal Course Issuer Bid at an average cost of \$4.51 per share for a total cost of \$1.3 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.

e) The Waseca Stock Option Plan

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

	For the nine and twelve month periods ended respectively			
	Options (#)	Sept. 30, 2011 Weighted avg. exercise price (\$)	Options (#)	Dec. 31, 2010 Weighted avg. exercise price (\$)
Balance – Beginning of period	5,964,762	\$0.60	2,524,400	\$0.60
Granted	2,591,977	\$0.74	3,506,362	\$0.60
Exercised	(61,112)	\$0.60	-	\$ -
Forfeited	(38,888)	\$0.60	(66,000)	\$0.60
Balance – End of period	8,456,739	\$0.64	5,964,762	\$0.60

The fair value of the stock options granted during the period under the Waseca Plan is estimated at the grant date using the Black-Scholes option pricing model. A 3% forfeiture rate was used to estimate the Waseca's stock-based compensation expense for the nine months ended September 30, 2011 (September 30, 2010: 3%). The assumptions used in the calculation are noted below:

Risk-free interest rate	2.2% to 3.1%
Expected life	5 years
Expected volatility	40% - 50%
Fair value per option	\$0.23 to \$0.34

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The following table summarizes information about Waseca's stock options outstanding and exercisable under the Waseca Plan at September 30, 2011 and December 31, 2010:

Exercise price (\$)	As at					
	Sept. 30, 2011			Dec. 31, 2010		
Options outstanding (#)	Weighted avg. remaining contractual life (years)	Options exercisable (#)	Options outstanding (#)	Weighted avg. remaining contractual life (years)	Options exercisable (#)	
\$0.60	6,039,762	2.9	2,732,715	5,964,762	3.6	1,591,467
\$0.75	2,416,977	4.6	-	-	-	-
	8,456,739	3.4	2,732,715	5,964,762	3.6	1,591,467

Waseca recorded stock-based compensation expense relating to stock options of \$462 thousand for the nine months ended September 30, 2011 (September 30, 2010: \$404 thousand), all of which has been recorded in general and administrative expense.

f) Waseca Performance Shares

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

	For the nine and twelve month periods ended respectively			
	Sept. 30, 2011		Dec. 31, 2010	
	Shares (#)	Weighted avg. conversion price (\$)	Shares (#)	Weighted avg. conversion price (\$)
Balance – Beginning of period	11,135,420	\$0.60	4,923,800	\$0.60
Granted	-	\$ -	6,343,620	\$0.60
Forfeiture	(200,000)	\$0.60	(132,000)	\$0.60
Balance – End of period	10,935,420	\$0.60	11,135,420	\$0.60

The fair value of the performance warrants granted is estimated at the grant date using the binomial option pricing model. A nil% forfeiture rate was used to estimate Waseca's stock-based compensation expense for the nine months ended September 30, 2011 (September 30, 2010: nil%). Waseca assumed that, for the purposes of estimating the expense, a transaction event had occurred and included 100% of the performance warrants when calculating the value of the stock-based compensation expense. The assumptions used in the calculation are noted below:

Risk-free interest rate	2.2% to 3.1%
Expected life	2 – 4 years
Expected volatility	40%
Fair value per option	\$0.05 to \$0.18

Transaction value ¹ (\$)	As at					
	Sept. 30, 2011			Dec. 31, 2010		
Performance Shares outstanding (#)	Weighted avg. remaining contractual life (years)	Options convertible (#)	Performance Shares outstanding (#)	Weighted avg. remaining contractual life (years)	Options convertible (#)	
\$0.69	2,733,855	2.8	-	2,783,855	3.6	-
\$0.90	2,733,855	2.8	-	2,783,855	3.6	-
\$1.20	2,733,855	2.8	-	2,783,855	3.6	-
\$1.50	2,733,855	2.8	-	2,783,855	3.6	-
	10,935,420	2.8	-	11,135,420	3.6	-

1. Above table denotes transaction value required to trigger option to convert to common shares at \$0.60 per Performance Share. A transaction event occurs when Waseca's share price exceeds the prices noted in the above table resulting from liquidation or a public transaction. As at September 30, 2011, neither a liquidity event nor a public transaction had occurred.

Waseca recorded stock-based compensation expense relating to performance warrants of \$212 thousand for the nine months ended September 30, 2011 (September 30, 2010: \$185 thousand), all of which has been recorded in general and administrative expense.

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g) One Earth Farms Stock Option Plan

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

	For the nine and twelve month periods ended respectively			
	Options (#)	Sept. 30, 2011 Weighted avg. exercise price (\$)	Options (#)	Dec. 31, 2010 Weighted avg. exercise price (\$)
Balance – Beginning of period	-	\$ -	-	\$-
Granted	7,859,325	\$1.22	-	\$-
Balance – End of period	7,859,325	\$1.22	-	\$-

The fair value of the stock options granted during the period under the OEF Plan is estimated at the grant date using the Black-Scholes option pricing model. A 2.5% forfeiture rate was used to estimate One Earth Farms’ stock-based compensation expense for the nine months ended September 30, 2011 (September 30, 2010: nil%). The assumptions used in the most recent stock option expense calculation are noted below:

Risk-free interest rate	2.03%
Expected life	7 years
Expected volatility	32.19%
Fair value per option	\$0.53

The following table summarizes information about One Earth Farms’ stock options outstanding and exercisable under the OEF Plan at September 30, 2011 and December 31, 2010:

Exercise price (\$)	As at					
	Options outstanding (#)	Weighted avg. remaining contractual life (years)	Sept. 30, 2011 Options exercisable (#)	Options outstanding (#)	Weighted avg. remaining contractual life (years)	Dec. 31, 2010 Options exercisable (#)
\$1.22	7,859,325	6.7	-	-	-	-

One Earth Farms recorded stock-based compensation expense of \$1.2 million for the nine months ended September 30, 2011 (September 30, 2010: \$nil), all of which has been recorded in general and administrative expense.

h) One Earth Oil and Gas Stock Option Plan

OEOG established a share option plan (the “OEOG Plan”) for the benefit of officers, directors, employees and consultants of OEOG. Under the OEOG Plan, the number of common shares to be reserved and authorized for issuance pursuant to options granted under the OEOG Plan cannot exceed 10% of the total number of issued and outstanding shares of OEOG. The term, the vesting period and the exercise price are determined at the discretion of the Board of Directors. However, the maximum option term shall not exceed five years.

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During the three and nine month periods ended September 30, 2011, 873,110 stock options were granted to officers, employees and consultants of the company. The following table summarizes information about OEOG's stock options outstanding at September 30, 2011:

	For the nine and twelve month periods ended respectively			
	Options (#)	Sept. 30, 2011 Weighted avg. exercise price (\$)	Options (#)	Dec. 31, 2010 Weighted avg. exercise price (\$)
Balance – Beginning of period	-	\$ -	-	\$-
Granted	873,110	\$1.00	-	\$-
Balance – End of period	873,110	\$1.00	-	\$-

The fair value of the stock options granted during the period under the OEOG Plan is estimated at the grant date using the Black-Scholes option pricing model. A 2.5% forfeiture rate was used to estimate OEOG's stock-based compensation expense for the nine months ended September 30, 2011 (September 30, 2010: nil%). The assumptions used in the most recent stock option expense calculation are noted below:

Risk-free interest rate	2.12%
Expected life	4.3 years
Expected volatility	65.5%
Fair value per option	\$0.53

Stock-based compensation expense for the nine month period ended September 30, 2011 was \$174 thousand (September 30, 2010: \$nil).

i) One Earth Oil and Gas Performance Warrants

During the nine month period ended September 30, 2011, OEOG granted performance warrants ("OEOG Performance Warrants") to officers and consultants of OEOG. The following table summarizes the activity during the period:

	For the nine and twelve month periods ended respectively			
	Options (#)	Sept. 30, 2011 Weighted avg. exercise price (\$)	Options (#)	Dec. 31, 2010 Weighted avg. exercise price (\$)
Balance – Beginning of period	-	\$ -	-	\$-
Granted	873,110	\$2.02	-	\$-
Balance – End of period	873,110	\$2.02	-	\$-

The fair value of the OEOG Performance Warrants granted during the period is estimated at the grant date using the Black-Scholes pricing model. The OEOG Performance Warrants vest only when certain transaction events take place and, as a result, when deriving the value of the OEOG Performance Warrants, the probability of those events taking place had to be included in the model. The assumptions used in the Black-Scholes model are as follows:

Risk-free interest rate	2.12%
Expected life	4.3 years
Expected volatility	65.5%
Fair value per option	\$0.53

The company recorded stock-based compensation expense relating to the OEOG Performance Warrants of \$53 thousand for the nine months ended September 30, 2011 (September 30, 2010: \$nil).

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18. Related Party Transactions

a) Purchase of Goods and Services

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 \$4.6 million respectively) were incurred, which are payable to Sprott Consulting Limited Partnership (“SCLP”), an entity with directors and officers in common.

Refer to note 22 (c) “Commitments – SRC Management Services Agreement” for addition information regarding the calculation of management and incentive fees payable under the Management Services Agreement (“MSA”).

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 amount which is the amount of consideration established, agreed to and paid by the related parties based on standard commercial terms.

b) Key Management Compensation

Compensation for services paid or payable to the four executive officers and three independent directors of the Company is shown below:

<i>(in thousands)</i>	Nine months ended	
	Sept. 30, 2011	Sept. 30, 2010
Compensation paid on behalf of SRC to management for services provided to the Company	\$1,370	\$1,449
Other employment benefits	2	2
Director fees earned	95	98
Director stock-based compensation	149	103
	\$1,616	\$1,652

19. Earnings per Share

a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity owners of the Company by the weighted average number of shares outstanding during the three and nine month periods.

	Nine months ended	
	Sept. 30, 2011	Sept. 30, 2010
Net earnings available to shareholders of the Company from continuing operations <i>(in thousands)</i>	\$31,442	\$7,686
Net earnings (loss) available to shareholders of the Company from discontinued operations, net of taxes <i>(in thousands)</i>	\$75,736	\$(236)
Weighted average number of shares <i>(in thousands)</i>	113,281	96,622
Basic earnings per share from continuing operations	\$0.28	\$0.08
Basic earnings per share from discontinued operations	\$0.67	\$-

b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive shares. The potentially dilutive shares relate to share options and warrants. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company’s shares) based on the exercise prices of outstanding share options, share purchase warrants and convertible debentures. The number of

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shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Nine months ended	
	Sept. 30, 2011	Sept. 30, 2010
Net earnings available to shareholders of the Company from continuing operations (<i>in thousands</i>)	\$31,442	\$7,686
Net earnings (loss) available to shareholders of the Company from discontinued operations, net of taxes (<i>in thousands</i>)	\$75,736	\$(236)
Weighted average number of shares in issue (<i>in thousands</i>)	113,281	96,622
Incremental shares from share options (<i>in thousands</i>)	39	218
Weighted average diluted shares outstanding (<i>in thousands</i>)	113,320	96,840
Diluted earnings per share from continuing operations	\$0.28	\$0.08
Diluted earnings per share from discontinued operations	\$0.67	\$-

20. Finance Expense

<i>(in thousands)</i>	Continuing operations		Discontinued operations	
	Sept. 30, 2011	Sept. 30, 2010	Sept. 30, 2011	Sept. 30, 2010
Interest expense	\$ -	\$ -	\$ 1,393	\$ 733
Provisions: accretion of ARO	88	13	635	192
Total finance expense	\$ 88	\$ 13	\$ 2,028	\$ 925

21. Segment Information

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

A summary of the statement of financial position, by industry segment, is as follows:

Segmented summary of Statement of Financial Position

	Energy	Agriculture	Corporate and other	As at Sept. 30, 2011
Current assets	\$ 7,206	\$ 43,108	\$ 152,912	\$ 203,226
Property, plant and equipment, exploration and evaluation assets	56,338	35,769	1,886	93,993
Other long-term assets	1,230	21,280	229,416	251,926
	<u>\$ 64,774</u>	<u>\$ 100,157</u>	<u>\$ 384,214</u>	<u>\$ 549,145</u>
Current liabilities	\$ 10,355	\$ 6,849	\$ 1,349	\$ 18,553
Long-term liabilities	2,064	681	8,998	11,743
	<u>12,419</u>	<u>7,530</u>	<u>10,347</u>	<u>30,296</u>
Equity	38,884	57,169	374,586	470,639
Total equity attributable to shareholders	<u>38,884</u>	<u>57,169</u>	<u>374,586</u>	<u>470,639</u>
Non-controlling interest	13,471	35,458	(719)	48,210
	<u>\$ 64,774</u>	<u>\$ 100,157</u>	<u>\$ 384,214</u>	<u>\$ 549,145</u>

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A summary of the statements of income, by industry segment, is as follows:

<i>(in thousands)</i>	9 months ended Sept. 30, 2011			9 months ended	9 months ended
	Energy	Agriculture	Corporate and other	Sept. 30, 2011	Sept. 30, 2010
Revenue	\$ 24,095	\$ 8,311	\$ -	\$ 32,406	\$ 10,902
Other income and expenses					
General and administrative expense	(3,915)	(5,075)	(2,825)	(11,815)	(8,709)
Management fees	-	-	(7,691)	(7,691)	(4,563)
Costs of production	(12,899)	(25,168)	-	(38,067)	(16,001)
Other farm expenses	-	(9,326)	-	(9,326)	(3,776)
Crop costs of production and fair value adjustments	-	14,406	-	14,406	649
Fair value adjustment to biological assets	-	13,084	-	13,084	4,562
Gain on disposal of investments	-	-	39,101	39,101	13,709
Fair value adjustment to gold bullion	-	-	9,006	9,006	14,852
Finance costs	(88)	-	-	(88)	(13)
Interest income	58	(196)	315	177	(161)
Unrealized loss on derivative instruments	-	-	-	-	(45)
Other income and expenses	(5,267)	1,166	(5,650)	(9,751)	(3,720)
Income (loss) from continuing operations	1,984	(2,798)	32,256	31,442	7,686
Income (loss) from discontinued operations				75,736	(236)
Net income (loss) for the period	\$ 1,984	\$ (2,798)	\$ 32,256	\$ 107,178	\$ 7,450

A breakdown of general and administration expenses is as follows:

	9 months ended Sept. 30, 2011			9 months ended	9 months ended
	Energy	Agriculture	Corporate and other	Sept. 30, 2011	Sept. 30, 2010
Capital tax expense	\$ -	\$ -	\$ 3	\$ 3	\$ (8)
Office and administration	1,457	1,067	1,138	3,662	3,607
Professional fees	229	462	1,253	1,944	1,309
Salaries and wages	1,327	2,392	282	4,001	3,108
Stock-based compensation	902	1,154	149	2,205	693
	\$ 3,915	\$ 5,075	\$ 2,825	\$ 11,815	\$ 8,709

The summary of the statement of financial position by segment excludes the financial position of Orion. As of June 30, 2011, the Company no longer consolidates the financial position of Orion (see Note 12).

22. Commitments

Payments by period (\$000's)

	Total	2011	2012	2013	2014	2015	2016+
Farm leases	\$ 25,495	\$ 7,225	\$ 7,245	\$ 7,245	\$ 1,520	\$ 1,520	\$ 740
Operating leases	1,488	300	536	536	58	58	-
Equipment lease	1,084	418	308	308	25	25	-
Total contractual obligation	\$ 28,067	\$ 7,943	\$ 8,089	\$ 8,089	\$ 1,603	\$ 1,603	\$ 740

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Explanatory Notes

(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 terms 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 \$154,000 in 2011 through to 2013. In addition, the Company is responsible for \$240,000 of leasehold improvements and furniture rentals related to the subleased premises.

One Earth Farms has entered into an operating premises lease for office space in Saskatoon, Saskatchewan. The lease commenced May 31, 2010 for a five-year term. The estimated aggregate annual rent obligations are \$154,000 in 2011 through to 2014 and \$77,000 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 \$292,000 for 2011, \$236,000 in 2012 and \$20,000 in 2013.

OEOG has entered into a sublease for office space in Calgary, Alberta. The sublease has a remaining term of 12 months. The estimated annual rent obligation is \$85,000 for 2011 and \$29,000 for 2012.

(c) SRC Management Services Agreement (“MSA”)

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 Sprott Consulting LP (“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*” in the Company's Management Discussion and Analysis of Financial Position and Results of Operations, dated June 7, 2011 and available on Sedar at www.sedar.com.

(d) One Earth Farms Management Services Agreement

On December 22, 2009, One Earth Farms entered into a Management Services Agreement (“OEF MSA”) with SCLP, an entity with directors and management in common. Pursuant to the terms of the OEF MSA, SCLP was appointed by the Company to manage, or engage others to manage, the undertaking and affairs of One Earth Farms. In consideration for providing these services, One Earth

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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 (as defined in the OEF MSA), 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 One Earth Farms' capital structure.

23. Subsequent Events

a) Company 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 SCLP. 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 (approximately 99.99%), other than the managing partnership interest owned by the Managing Partner (approximately 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 SCLP or its affiliates when compared to the prior MSA 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 (a) 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; (b) the Managing Partner is removed as managing partner of the Partnership; and (c) 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.

b) Strategic Review Underway for Waseca Energy Inc.

The Company announced on October 18, 2011 the commencement of a process to review strategic alternatives available regarding its approximately 80% stake in Waseca. Also announced at the time were the results of the Waseca's reserve report completed by McDaniel and Associates.

c) Investment in 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.