

**Sprott Resource Corp.**

*(formerly General Minerals Corporation)*

*(An Exploration Stage Company)*

**Nine Months Ended September 30, 2007**

*(Unaudited - expressed in Canadian dollars)*

**Sprott Resource Corp.**  
*(formerly General Minerals Corporation)*  
 Consolidated Balance Sheets  
 As at September 30, 2007

*(Unaudited - expressed in Canadian dollars)*

	September 30, 2007 \$	December 31, 2006 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	66,308,166	7,381,859
Prepays and other	482,711	245,485
	<u>66,790,877</u>	<u>7,627,344</u>
<b>Investments</b> (note 3)	8,912,000	-
<b>Mining properties and equipment</b>		
Mining claims and deferred exploration (note 4)	1,995,694	2,700,039
Reclamation deposit	19,794	19,308
Equipment (note 5)	65,325	90,163
<b>Deferred share issue costs</b> (note 6)	438,832	341,534
<b>Intangibles</b>	117,400	117,400
	<u>78,339,922</u>	<u>10,895,788</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	762,508	536,031
<b>Minority interest</b>	17,089	44,221
	<u>779,597</u>	<u>580,252</u>
<b>Shareholders' Equity</b>		
<b>Capital stock</b> (note 7)	115,524,177	61,326,812
<b>Warrants</b> (note 7)	7,685,605	-
<b>Contributed surplus</b> (note 7)	864,589	879,306
	<u>124,074,371</u>	<u>62,206,118</u>
<b>Deficit</b>	(51,183,002)	(51,890,582)
<b>Accumulated other comprehensive income</b>	4,668,956	-
	<u>(46,514,046)</u>	<u>(51,890,582)</u>
	<u>77,560,325</u>	<u>10,315,536</u>
	<u>78,339,922</u>	<u>10,895,788</u>

**Commitments** (note 12)

**Subsequent Events** (notes 4, 6 and 13)

**On Behalf of the Board**



Michael Winn – Director



Terrence A. Lyons - Director

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

# Sprott Resource Corp.

(formerly General Minerals Corporation)

## Consolidated Statements of Operations and Deficit

For the three and nine months ended September 30, 2007

(Unaudited - expressed in Canadian dollars)

	<b>Three Month Period Ended Sept. 30, 2007</b>	Three Month Period Ended Sept. 30, 2006	<b>Nine Month Period Ended Sept. 30, 2007</b>	Nine Month Period Ended Sept. 30, 2006
	\$	\$	\$	\$
<b>General and administrative expenses</b>				
Consulting	41,146	13,280	126,378	53,864
Directors' fees	27,185	13,500	65,685	48,000
Filing fees and transfer agent	33,069	4,823	71,878	42,448
Management fee (note 8)	112,700	-	112,700	-
Office and miscellaneous	55,006	40,587	154,796	140,592
Professional fees	90,694	81,094	317,592	237,950
Severance payments	226,507	-	226,507	-
Shareholder information	11,947	10,873	58,197	70,373
Stock-based compensation expense	-	-	-	36,955
Wages and benefits	42,213	74,909	152,714	208,292
	<b>(640,467)</b>	<b>(239,066)</b>	<b>(1,286,447)</b>	<b>(838,474)</b>
<b>Other income and (expenses)</b>				
Amortization	(6,851)	(7,637)	(21,328)	(23,307)
Foreign exchange (loss) gain	(112,721)	1,808	(267,107)	(145,844)
Gain on dilution from investment in South American Silver Corp. ("SASC") (note 3)	-	-	2,101,743	-
Interest and other income	396,880	77,244	545,713	226,616
Minority interest	7,120	16,541	27,132	56,298
Reconnaissance and sundry exploration	(112,293)	(90,805)	(173,044)	(212,793)
Writedown of mining claims and deferred exploration (note 4a)	-	-	(219,082)	-
<b>Net (loss) earnings for the period</b>	<b>(468,332)</b>	<b>(241,915)</b>	<b>707,580</b>	<b>(937,504)</b>
<b>Deficit – beginning of period</b>	<b>(50,714,670)</b>	<b>(51,941,467)</b>	<b>(51,890,582)</b>	<b>(51,245,878)</b>
<b>Deficit – end of period</b>	<b>(51,183,002)</b>	<b>(52,183,382)</b>	<b>(51,183,002)</b>	<b>(52,183,382)</b>
<b>Basic and diluted (loss) earnings per share</b>	<b>(0.02)</b>	<b>(0.03)</b>	<b>0.05</b>	<b>(0.10)</b>
<b>Weighted average shares outstanding</b>	<b>21,815,803</b>	<b>9,335,077</b>	<b>13,604,321</b>	<b>9,313,648</b>

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

# Sprott Resource Corp.

(formerly General Minerals Corporation)

## Consolidated Statements of Cash Flows

For the three and nine months ended September 30, 2007

(Unaudited - expressed in Canadian dollars)

	<b>Three Month Period Ended Sept. 30, 2007 \$</b>	Three Month Period Ended Sept. 30, 2006 \$	<b>Nine Month Period Ended Sept. 30, 2007 \$</b>	Nine Month Period Ended Sept. 30, 2006 \$
<b>Cash flows from (used in operating activities)</b>				
Net (loss) earnings for the period	<b>(468,332)</b>	(241,915)	<b>707,580</b>	(937,504)
Items not affecting cash				
Depreciation and amortization	<b>6,851</b>	7,637	<b>21,328</b>	23,307
Gain on dilution from investment in SASC	-	-	<b>(2,101,743)</b>	-
Minority interest	<b>(7,120)</b>	(16,541)	<b>(27,132)</b>	(56,298)
Stock-based compensation expense	-	-	-	36,955
Writedown of mining claims and deferred exploration	-	-	<b>219,082</b>	-
	<b>(468,601)</b>	(250,819)	<b>(1,180,885)</b>	(933,540)
Changes in non-cash operating working capital				
Decrease (increase) in prepaids and other	<b>(369,988)</b>	41,208	<b>(369,502)</b>	(2,397)
Increase (decrease) in accounts payable	<b>243,847</b>	20,780	<b>563,613</b>	(123,142)
	<b>(594,742)</b>	(188,831)	<b>(986,774)</b>	(1,059,079)
<b>Cash flows from (used in) investing activities</b>				
Purchase of investments	<b>(1,000,000)</b>	-	<b>(1,000,000)</b>	-
Deferred exploration expenditures	<b>(200,553)</b>	(333,821)	<b>(693,717)</b>	(740,887)
Property payments received for mining claims	-	-	<b>31,166</b>	57,518
Purchase of equipment	<b>(2,678)</b>	(2,131)	<b>(21,461)</b>	(2,761)
Net cash reduction on deconsolidation of SASC	-	-	<b>(136,034)</b>	-
Reclamation deposits	-	-	<b>(486)</b>	(367)
	<b>(1,203,231)</b>	(335,952)	<b>(1,820,532)</b>	(686,497)
<b>Cash flows from (used in) financing activities</b>				
Deferred share issue costs	<b>(119,312)</b>	-	<b>(134,640)</b>	-
Proceeds from issue of capital stock	<b>59,803,804</b>	-	<b>61,868,253</b>	84,500
	<b>59,684,492</b>	-	<b>61,733,613</b>	84,500
<b>Change in cash and cash equivalents</b>	<b>57,886,519</b>	(524,783)	<b>58,926,307</b>	(1,661,076)
<b>Cash and cash equivalents - beginning of period</b>	<b>8,421,647</b>	7,270,614	<b>7,381,859</b>	8,406,907
<b>Cash and cash equivalents – end of period</b>	<b>66,308,166</b>	6,745,831	<b>66,308,166</b>	6,745,831
<b>Cash and cash equivalents are comprised of:</b>				
Cash	<b>61,333,080</b>	445,113	<b>61,333,080</b>	445,113
Short-term investments	<b>4,975,086</b>	6,300,718	<b>4,975,086</b>	6,300,718
	<b>66,308,166</b>	6,745,831	<b>66,308,166</b>	6,745,831

### Supplemental cash flow information (note 10)

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

# Sprott Resource Corp.

(formerly General Minerals Corporation)

## Consolidated Statement of Comprehensive Income and Accumulated Other Comprehensive Income

For the nine months ended September 30, 2007

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(Unaudited - expressed in Canadian dollars)

	<b>Three Month Period Ended Sept. 30, 2007 \$</b>	<b>Nine Month Period Ended Sept. 30, 2007 \$</b>
Net (loss) earnings for the period before other comprehensive income	(468,332)	707,580
Unrealized gains on available for sale investments (note 3)	<u>1,204,000</u>	<u>4,668,956</u>
Comprehensive income for the period	<u>735,668</u>	<u>5,376,536</u>
Accumulated other comprehensive income – beginning of period	3,464,956	-
Unrealized gains on available for sale investments (note 3)	<u>1,204,000</u>	<u>4,668,956</u>
Accumulated other comprehensive income – end of period	<u>4,668,956</u>	<u>4,668,956</u>

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

# **Sprott Resource Corp.**

*(formerly General Minerals Corporation)*

Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2007

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*(Unaudited - expressed in Canadian dollars)*

## **1. Organization and Nature of Operations**

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General Minerals Corporation was incorporated under the Canada Business Corporations Act on August 19, 1994. By articles of amendment dated August 31, 2007, the company changed its name to "Sprott Resource Corp." (the "Company").

The Company's principal activities are the acquisition, exploration and development of mineral properties. The principal countries where the Company is undertaking exploration activities as at September 30, 2007 include the United States, Mexico and Mongolia. Property interests in these countries are held through various wholly and majority owned subsidiaries.

The recoverability of amounts shown as mining claims and deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the Company's ability to obtain financing to develop the properties, and the ultimate realization of profits through future production or sale of properties. These and other uncertainties could adversely affect the future carrying value of mining properties and deferred exploration costs.

## **2. Significant Accounting Policies**

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These unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles, using the same accounting policies and methods as per the annual consolidated financial statements for the year ended December 31, 2006 with the following additions. They do not include all the disclosures required by generally accepted accounting principles, and should be read in conjunction with the most recent annual financial statements of the Company.

### **Adoption of new accounting standards**

On January 1, 2007, the Company adopted two new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"); Section 3855, "Financial instruments – recognition and measurement", and Section 1530, "Comprehensive income". These standards were adopted on a prospective basis and as such, prior periods have not been restated.

#### **a) Financial instruments - recognition and measurement**

CICA Handbook Section 3855 requires that all financial assets, except those classified as held to maturity, must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held for trading; otherwise, they are measured at cost or amortized cost. Investments classified as available for sale are reported at fair market value (or mark to market) based on quoted market prices with unrealized gains or losses excluded from earnings, until sold, and reported as other comprehensive income or loss. The Company's investment in South American Silver Corp. ("SASC") has been designated as available for sale.

# Sprott Resource Corp.

(formerly General Minerals Corporation)

## Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2007

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(Unaudited - expressed in Canadian dollars)

### b) Comprehensive income

Under CICA Handbook Section 1530, comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in the statement of operations such as unrealized gains or losses on available-for-sale investments. Other comprehensive income includes the holding gains and losses from available for sale securities which are not included in net earnings (loss) until realized. The Company has included a statement of comprehensive earnings in its consolidated financial statements which adjusts for gains and losses on financial assets available for sale in the nine month period ended September 30, 2007.

### 3. Investments

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	September 30, 2007	December 31, 2006
South American Silver Corp. (a)	\$7,912,000	\$ -
Other (b)	1,000,000	-
	<u>\$8,912,000</u>	<u>\$ -</u>

- a) On February 19, 2007, the Company's wholly-owned subsidiary, SASC, completed its initial public offering ("IPO") of 34,000,000 common shares. The SASC shares were issued pursuant to a final prospectus dated February 7, 2007 at a price of \$0.50 per share, for total gross proceeds of \$17,000,000. SASC also granted the agents an option to purchase up to an additional 5,100,000 common shares at \$0.50 per common share for additional gross proceeds of \$2,550,000. The agents exercised this option, following which the Company's ownership in SASC is 8,600,000 common shares representing an 18% ownership interest.

The shares of SASC owned and controlled by the Company are subject to a regulatory escrow agreement. On August 19, 2007, 4,300,000 common shares were released from the escrow, with a further 2,150,000 shares to be released on each of February 19, 2008 and August 19, 2008.

As a result of this transaction, the Company has ceased to consolidate the accounts of SASC which included the Company's Bolivian and Chilean mining properties. The consolidated assets and liabilities of SASC as at February 19, 2007, the IPO date, can be summarized as follows:

Mining claims and deferred exploration	\$1,147,814
Equipment	24,971
Deferred share issue costs	473,810
Cash and cash equivalents	136,034
Current liabilities	(641,328)
Investment in SASC – 8,600,000 common shares at cost	1,141,301
Dilution gain	2,101,743
Accumulated unrealized holding gains	4,668,956
<u>Carrying value at September 30, 2007 quoted value of \$0.92 per share</u>	<u>\$7,912,000</u>

# Sprott Resource Corp.

(formerly General Minerals Corporation)

## Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2007

(Unaudited - expressed in Canadian dollars)

Investments classified as available for sale are reported at fair market value (or mark to market) based on quoted market prices with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss. The Company's investment in SASC has been designated as available for sale.

- b) In September 2007, the Company invested \$1 million in a private company by way of a special warrant private placement.

### 4. Mining Claims and Deferred Exploration

	September 30, 2007	December 31, 2006
Bluebird, U.S. d).	196,794	\$171,017
Canasta Dorada, Mexico d)	338,107	134,708
Cerro Negro, Mexico d)	92,443	92,195
Dragoon, U.S. c)	-	215,083
Escalones, Chile a)	-	204,761
Gold Lake, U.S. d)	474,456	369,890
Laurani, Bolivia a)	-	462,925
Malku Khota, Bolivia a)	-	402,516
Markham Wash, U.S. b)	332,699	363,418
Monitor, U.S. d)	242,971	188,138
San Antonio, Mexico d)	53,267	-
Sharon Gol, Mongolia	152,074	-
Other d)	112,883	95,388
	<u>\$1,995,694</u>	<u>\$2,700,039</u>

- a) The Company's South American properties are held by SASC (note 3). During the period, the Company's interest in SASC was reduced to 18%; consequently the Company no longer consolidates the costs attributable to these properties in its accounts.

- b) The Company has entered into an option agreement with Teck Cominco American Incorporated (TCAI), a wholly owned subsidiary of Teck Cominco Limited, whereby TCAI can earn up to a 65% joint venture interest in the Markham Wash copper property located in Graham County, Arizona.

To complete its initial earn-in to 51%, TCAI must incur expenditures of US\$3,500,000 on the Markham Wash property within five years of February 27, 2006, of which US\$250,000 was a guaranteed commitment in the first year. Of this amount, TCAI incurred US\$223,490 in property expenditures and during the period, paid the amount of \$31,166 (US\$26,510) directly to the Company. Following its exercise of the option to earn an initial 51% interest, TCAI may elect to earn an additional 9% interest by expending US\$4,000,000 on the property over two years. Thereafter, TCAI may make a separate election to earn an additional 5% interest by funding a feasibility study.

# Sprott Resource Corp.

(formerly General Minerals Corporation)

## Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2007

(Unaudited - expressed in Canadian dollars)

- c) During the second quarter, the Company terminated its option on the Dragon property and incurred a writedown of \$219,082.
- d) The Company's U.S. and Mexican properties are held by the Company's wholly owned subsidiary, High Desert Gold Corporation ("HDG"). Subsequent to September 30, 2007, the Company's interest in HDG was reduced to 17%; consequently the Company will cease to consolidate the costs attributable to these properties in its accounts during the fourth quarter (note 13 a).

### 5. Equipment

	September 30, 2007			December 31, 2006		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Equipment	\$36,847	\$20,312	\$16,535	\$35,558	\$17,367	\$18,191
Computer hardware	91,740	74,799	16,941	79,676	67,202	12,474
Computer software	12,144	7,207	4,937	5,465	3,531	1,934
Vehicles	50,335	23,423	26,912	84,943	27,379	57,564
	\$191,066	\$125,741	\$65,325	\$205,642	\$115,479	\$90,163

### 6. Deferred Share Issue Costs

	September 30, 2007	December 31, 2006
Deferred share issue costs	\$438,832	\$341,534

Costs directly attributable with the raising of capital are charged against the related share capital. Costs related to shares not yet issued are recorded as deferred share issue costs. These costs will be deferred until the issuance of the shares to which the costs relate have been issued, at which time the deferred costs will be charged against share capital. If a financing is abandoned the related costs deferred are charged to operations.

- a) On December 21, 2006, the Company's wholly owned subsidiary, SASC, filed a preliminary prospectus in respect of its IPO. In connection with this filing, the Company incurred legal, accounting, and filing fees of \$341,534 which were deferred. During the nine month period ended September 30, 2007, SASC completed its IPO and these costs were reimbursed to the Company and were charged to the share capital of SASC as share issue costs.
- b) On August 23, 2007, the Company's wholly owned subsidiary, HDG, filed a preliminary prospectus in connection with an IPO of its common shares. In connection with this filing, the Company has incurred legal, accounting and filing fees of \$438,832 which have been deferred. Subsequent to September 30, 2007, HDG completed its IPO and these costs were charged to the share capital of HDG as share issue costs (note 13 a).

# Sprott Resource Corp.

(formerly General Minerals Corporation)

## Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2007

(Unaudited - expressed in Canadian dollars)

### 7. Capital Stock

	Number of Common Shares	Amount
Balance, December 31, 2006	9,335,077	\$61,326,812
Private placement of units	40,000,000	52,047,074
Issuance of common shares on exercise of share purchase warrants	1,105,873	2,062,624
Issuance of common shares on exercise of stock options	82,000	72,950
Fair value of exercised stock options	-	14,717
Balance, September 30, 2007	50,522,950	\$115,524,177

During the nine months ended September 30, 2007, the Company completed a private placement and issued 40,000,000 units at a purchase price of \$1.50 per unit for total proceeds of \$60,000,000. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share at a price of \$2.50 per share, exercisable to September 5, 2009. The value of \$7,720,000 (\$0.193 per warrant), less issue costs of \$34,395, has been attributed to the warrants issued under this private placement based on the Black Scholes pricing model and has been credited to warrants within shareholders' equity. Assumptions used in the pricing model are as follows: average risk-free interest rate – 4.6%; expected life – 2 years; expected volatility – 41%; and expected dividends – nil. The Company also incurred aggregate share issue costs of \$232,926.

#### Stock options

The Company established a share option plan (the "Plan") during 1995 for the benefit of employees and directors of the Company and designated affiliated companies. The maximum number of shares available under the Plan is limited to 12.5% of the issued common shares at the time of granting of options. Subject to any employment contracts, each option becomes exercisable as to 33 1/3% on a cumulative basis, at the end of each of the first, second and third years following the date of grant. The maximum option term shall not exceed ten years, subject to extension in the event that the expiry date falls within a "blackout" period.

During the period, the Company did not grant any stock options under the terms of the Plan. The schedule of stock option activity under the Plan is as follows:

	Number of shares	Weighted average exercise price
Balance, December 31, 2006	895,500	\$1.69
Options exercised	(82,000)	0.89
Options expired	(2,500)	0.85
Balance, September 30, 2007	811,000	\$1.78

The following table summarizes information about stock options outstanding as at September 30, 2007.

# Sprott Resource Corp.

(formerly General Minerals Corporation)

## Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2007

(Unaudited - expressed in Canadian dollars)

Options outstanding and exercisable			
Range of exercise price \$	Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price
1.25 to 1.85	724,000	0.9	\$1.43
1.86 to 2.75	10,000	0.4	2.20
4.01 to 5.00	77,000	0.4	4.97
	811,000	0.8	\$1.78

During the nine months ended September 30, 2007, the Company recorded \$nil (2006 - \$36,955) in stock-based compensation expense in respect of the vesting of stock options that were granted in 2005.

### Share warrants

The schedule of warrant activity during the period is as follows:

	Number of shares	Weighted average exercise price	Nine months ended September 30, 2007
Balance, December 31, 2006	2,018,000	\$1.86 (1)	\$ -
Warrants exercised	(1,105,873)	\$1.87	-
Warrants issued	40,000,000	\$2.50 (2)	7,685,605
Balance, September 30, 2007	40,912,127	\$2.49	\$7,685,605

(1) The exercise price of these warrants increased from \$1.86 to \$2.05 in accordance with their terms on June 25, 2007, and the warrants expire on June 25, 2008.

(2) These warrants expire on September 5, 2009.

### Contributed surplus

	Nine months ended September 30, 2007	Year ended December 31, 2006
Balance – Beginning of period	\$879,306	\$842,351
Stock-based compensation	-	36,955
Fair value of exercised stock options	(14,717)	-
Balance – End of period	\$864,589	\$879,306

# Sprott Resource Corp.

(formerly General Minerals Corporation)

## Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2007

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(Unaudited - expressed in Canadian dollars)

### 8. Related Party Transactions

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- a) During the three months ended September 30, 2007, included in professional fees were legal fees totalling \$312,428 (September 30, 2006 - \$32,247) which were charged by a legal firm in which a former director of the Company is a partner. Of this amount, \$38,224 (September 30, 2006 - \$32,247) was charged to loss for the period, \$110,000 (September 30, 2006 - \$nil) was included in share issue costs, and \$164,204 (September 30, 2006 - \$nil) was included in deferred share issue costs.

During the nine months ended September 30, 2007, included in professional fees were legal fees totalling \$474,051 (September 30, 2006 - \$99,177) which were charged by a legal firm in which a former director of the Company is a partner. Of this amount, \$170,795 (September 30, 2006 - \$99,177) was charged to loss for the period, \$110,000 (September 30, 2006 - \$nil) was included in share issue costs, and \$193,256 (September 30, 2006 - \$nil) was included in deferred share issue costs. Included in accounts payable as at September 30, 2007 was \$160,247 (December 31, 2006 - \$200,569) payable to this legal firm.

- b) During the three months ended September 30, 2007, consulting fees totalling \$40,023 (September 30, 2006 - \$48,247) were charged by officers or former officers of the Company. Of this amount, \$20,155 (September 30, 2006 - \$23,096) was charged to loss for the period and \$19,868 (September 30, 2006 - \$25,151) was included in deferred costs.

During the nine months ended September 30, 2007, consulting fees totalling \$131,283 (September 30, 2006 - \$139,270) were charged by officers or former officers of the Company. Of this amount, \$82,475 (September 30, 2006 - \$38,709) was charged to loss for the period and \$48,808 (September 30, 2006 - \$100,561) was included in deferred costs. As at September 30, 2007, prepaids and other included an amount of \$2,061 (December 31, 2006 - \$14,510) advanced to a former officer of the Company. Included in accounts payable as at September 30, 2007 was \$20,235 (December 31, 2006 - \$17,275) payable to officers and directors.

- c) During the three and nine months ended September 30, 2007, the Company incurred management fees of \$112,700 (September 30, 2006 - \$nil) payable to Sprott Consulting Ltd. ("SCL"), a company with common directors and management. Included in accounts payable as at September 30, 2007 was \$112,700 (December 31, 2006 - \$nil) payable to SCL.
- d) Included in prepaids and other as at September 30, 2007 was \$20,329 (December 31, 2006 - \$nil) due from SASC.
- e) Related party transactions are in the ordinary course of business, occurring on terms that are similar to those of transactions with unrelated parties, and therefore are measured at the exchange amount. Amounts payable to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

### 9. Fair Value of Financial Instruments

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The fair values of cash and cash equivalents, other, and accounts payable approximate their book value.

A portion of the Company's financial assets and liabilities are denominated in foreign currencies giving rise to risks from changes in foreign exchange rates.

# Sprott Resource Corp.

(formerly General Minerals Corporation)

## Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2007

(Unaudited - expressed in Canadian dollars)

### 10. Supplemental Cash Flow Information

The Company conducted non-cash investing and financing activities as follows:

	Three Months Ended Sept. 30, 2007	Three Months Ended Sept. 30, 2006	Nine Months Ended Sept. 30, 2007	Nine Months Ended Sept. 30, 2006
Common shares issued on exercise of stock options	\$6,765	\$ -	\$14,717	\$ -
Equipment relating to SASC	-	-	24,971	-
Mining claims relating to SASC	-	-	1,147,814	-
Share issue costs relating to SASC	-	-	473,810	-
Payables relating to SASC	-	-	(641,328)	-
Deferred share issue costs included in payables	(212,222)	-	(304,192)	-

### 11. Segment Information

The Company's operations are limited to a single industry segment, being mineral exploration and development. Geographic segmented information as at September 30, 2007 and December 31, 2006 includes:

Identifiable Assets	September 30, 2007	December 31, 2006
Canada	\$75,917,056	\$7,737,715
United States	1,470,991	1,438,609
Bolivia	-	915,421
Chile	-	255,735
Mexico	702,904	329,591
Other	248,971	218,717
Total Assets	\$78,339,922	\$10,895,788

### 12. Commitments

- a) On September 5, 2007, the Company entered into a management services agreement with SCL with an initial term of three years. In consideration for management services to be provided by SCL, the Company will pay an annual services fee equal to 2% of the net asset value of the Company, as defined, calculated and paid quarterly. In addition, the Company will pay an annual incentive fee equal to 20% of the pre-tax profits of the Company for such year, net of a hurdle rate of return which will be based upon the Canadian 30-Year Generic Bond Index. The services fee and the incentive fee will be payable in cash or, at the sole option of SCL and subject to regulatory approval, common shares of the Company.
- b) The Company's wholly-owned subsidiary, HDG, is committed under the terms of a Denver office lease agreement that expires on April 30, 2010 for the following annual rent and estimated operating costs.

Year ending December 31	
2007	\$4,600
2008	19,100
2009	19,700
2010	6,600

# Sprott Resource Corp.

(formerly General Minerals Corporation)

## Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2007

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(Unaudited - expressed in Canadian dollars)

### 13. Subsequent Events

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- a) On October 17, 2007, the Company's wholly-owned subsidiary, HDG, completed its initial public offering of 30,000,000 units. The units were issued pursuant to a final prospectus dated October 9, 2007 at a price of \$0.50 per unit, for total gross proceeds of \$15,000,000. The Company's ownership in HDG is 6,000,000 common shares representing a 17% ownership interest. The shares of HDG owned and controlled by the Company are subject to a regulatory escrow agreement and a lock-up agreement with the agents.

As a result of this transaction, the Company will no longer consolidate the accounts of HDG which include the Company's U.S. and Mexican mining properties. The consolidated assets and liabilities of HDG as at September 30, 2007 can be summarized as follows:

	\$
Mining claims and deferred exploration	1,814,817
Equipment	51,656
Reclamation deposit	19,794
Deferred share issue costs	438,832
Current assets	313,596
Current liabilities	<u>(652,338)</u>
	<u>1,986,357</u>
Investment in HDG at cost – 6,000,000 common shares	<u>1,986,357</u>

- b) Subsequent to September 30, 2007, 30,000 stock options were exercised, generating proceeds of \$43,500.
- c) Subsequent to September 30, 2007, the Company invested \$2 million in a private company by way of a special warrant private placement.

# Sprott Resource Corp.

(formerly General Minerals Corporation)

## Consolidated Schedule of Deferred Exploration Expenditures

For the nine months ended September 30, 2007

(Unaudited - expressed in Canadian dollars)

	U.S. Properties \$	Bolivia Properties \$	Chile Properties \$	Mongolia Properties \$	Mexico Properties \$	Total \$
<b>Balance at December 31, 2006</b>	1,307,546	865,441	204,761	28,803	293,488	2,700,039
Land payments	101,218	59,456	-	247	81,591	242,512
Laboratory	5,840	-	-	7,804	-	13,644
Field supplies	7,153	2,023	-	-	4,370	13,546
General	9,519	1,526	-	424	11,380	22,849
Drilling	-	-	-	106,277	14,096	120,373
Camp and field	-	-	-	18,255	-	18,255
Geological consulting	33,159	13,873	585	11,490	88,888	147,995
Geophysical	9,553	-	-	-	8,185	17,738
Travel and accommodation	23,177	78	71	7,577	65,902	96,805
	189,619	76,956	656	152,074	274,412	693,717
Less:						
Property payment received	(31,166)	-	-	-	-	(31,166)
Deconsolidation of South American Silver Corp.	-	(942,397)	(205,417)	-	-	(1,147,814)
Write off of mining claims	(219,082)	-	-	-	-	(219,082)
	(60,628)	(865,441)	(204,761)	152,074	274,412	(704,345)
<b>Balance at September 30, 2007</b>	1,246,917	-	-	180,877	567,900	1,995,694

