

**SPROTT RESOURCE CORP.**  
(formerly General Minerals Corporation)

**Management's Discussion and Analysis  
For the Nine Months Ended September 30, 2007**

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**Introduction**

Sprott Resource Corp. (formerly General Minerals Corporation) ("SRC" or the "Company") is a Canadian based company. The primary purpose of the Company is to invest in mineral exploration and mining through direct acquisitions, joint ventures and equity investments. The Company also seeks to make other direct and indirect investments in the natural resource sector. The Company is listed on the Toronto Stock Exchange ("TSX") under the symbol "SCP".

The following information, prepared as of November 12, 2007, should be read in conjunction with the Company's unaudited interim consolidated financial statements for the nine months ended September 30, 2007, as well as the audited consolidated financial statements for the year ended December 31, 2006 and the related management's discussion and analysis (the "Annual MD&A") contained in the 2006 Annual Report. All amounts are expressed in Canadian dollars unless otherwise indicated and prepared in accordance with Canadian generally accepted accounting principles.

**Forward-Looking Statements**

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "plans", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "suggests" and similar expressions.

This MD&A and in particular the "Outlook" section, contains forward-looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors.

It is important to note that:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of November 12, 2007.
- Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.
- Subject to applicable laws, the Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

The material assumptions that were applied in making the forward looking statements in this MD&A include: expectations as to the Company's future strategy and business plan; and execution of the Company's existing plans, which may change due to changes in the views of the Company or if new information arises which makes it prudent to change such plans.

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Risks and Uncertainties".

## **Third Quarter Highlights**

### *Management Services Agreement with Sprott Consulting Ltd.*

On September 5, 2007, the Company entered into a management services agreement (the "MSA") with Sprott Consulting Ltd. ("SCL"), a wholly-owned subsidiary of Sprott Asset Management Inc. 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 has 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 month-end Net Asset Value of the Company and an annual incentive fee equal to 20% of: (a) the pre-tax profits of the Company for the year minus (b) the average month-end Net Asset Value of the Company for the year multiplied by the percentage return of the Canadian 30-Year Generic Bond Index. A copy of the MSA can be obtained by visiting the Company's website or SEDAR.

As part of the MSA, Eric Sprott, John Embry and Kevin Bambrough were appointed directors of the Company to fill the vacancies following the resignations of Ralph Fitch, Lawrence Dick and Tina Woodside. In addition, the then existing officers of the Company (other than William Filtness, Chief Financial Officer) resigned and Eric Sprott was appointed Chairman and Kevin Bambrough was appointed President and Chief Executive Officer.

### *\$60 million Private Placement*

Also on September 5, 2007, the Company closed a \$60 million private placement (the "Private Placement"), which comprised of the issuance of 40 million units at \$1.50 per unit. Each unit was comprised of one common share and one common share purchase warrant, with each warrant being exercisable for two years at \$2.50.

### *High Desert Gold Corporation Initial Public Offering*

High Desert Gold Corporation ("HDG"), formerly a wholly-owned subsidiary of the Company, completed its initial public offering on October 17, 2007 (the "HDG IPO"). As a result of the HDG IPO, the Company's interest in HDG, through its holding of 6 million common shares, has been diluted to approximately 16.67%. This reduced interest prevented the Company from continuing to use HDG's assets to meet its TSX listing requirements. As a result, TSX notified the Company that it would be reviewing the Company's listing under its remedial review process. The Company has 120 days from the date of the HDG IPO to comply with its TSX listing requirements.

## **Results of Operations**

### *Nine month results*

During the nine months ended September 30, 2007, the Company reported net earnings of \$707,580 (\$0.05 per share) compared to a loss of \$937,504 (\$0.10 per share) reported in the same period of 2006. These results include the results of South American Silver Corp. ("SASC") up until February 19, 2007, being the date of SASC's initial public offering (the "SASC IPO"). On completion of the SASC IPO, the Company's interest in SASC was reduced to below 50% and the Company no longer controlled SASC. Accordingly, the Company ceased to consolidate in its accounts the accounts of SASC.

The 2007 earnings include a dilution gain on the Company's investment in SASC. The fair value of the Company's share of the consideration paid by the new investors in SASC exceeded the carrying value of the Company's share of the net assets of SASC, resulting in a dilution gain amounting to \$2,101,743.

The HDG IPO occurred subsequent to September 30, 2007, consequently, the Company has continued to consolidate the accounts of HDG in these interim consolidated financial statements.

General and administrative expenses increased from \$838,474 to \$1,286,447. During the third quarter, in connection with the change of management, the Company paid severance to former officers amounting to \$226,507 (2006 - \$nil). In addition, the Company incurred management fees of \$112,700 (2006 - \$nil) under the terms of the MSA with SCL.

Significant expense items also include professional fees for accounting, legal and tax services, which were \$317,592 (2006 - \$237,950). These services include legal fees in respect of the MSA and related agreements with SCL, and charges related to the annual filings including fees from consultants engaged to review the Company's internal controls and disclosure controls. Consulting fees of \$126,378 (2006 - \$53,864) include charges incurred by the Company's Mexican subsidiary as well as fees charged by officers of the Company. Wages and benefits decreased from \$208,292 to \$152,714; and office and miscellaneous expense of \$154,796 was in line with the prior period charges of \$140,592.

During the comparative period, the Company incurred stock-based compensation expense of \$36,955, representing non-cash charges incurred in connection with the vesting of a 2005 stock option grant. The fair value of all stock options granted is recorded as a charge to operations or to deferred costs over the vesting period.

Other items incurred during 2007 include reconnaissance and sundry exploration which decreased to \$173,044 from \$212,793. During late 2005, the Company made the decision to reduce the amount of reconnaissance for new properties, concentrating its efforts on its existing portfolio of properties.

The 2007 operating results include a foreign currency loss of \$267,107 (2006 - \$145,844) resulting from a strengthening of the Canadian dollar during the period in relation to U.S. dollar-denominated cash and cash equivalents. To meet ongoing requirements, a portion of the Company's cash and cash equivalents has been held in U.S. dollars.

Expenses were offset by \$545,713 (2006 - \$226,616) in interest income earned on the Company's surplus cash balance.

During the period, the Company wrote off the costs attributable to its Dragoon mineral property, which had previously been optioned to BHP Billiton, recognizing a non-cash writedown of \$219,082 (2006 - \$nil). Due to the uncertainty of the project, the Company made the decision to terminate the underlying option agreement.

### *Three month results*

During the three months ended September 30, 2007, the Company reported a loss of \$468,332 (\$0.02 per share) compared to a loss of \$241,915 (\$0.03 per share) incurred in the third quarter of 2006. General and administrative expenses increased from \$239,066 to \$640,467, with the increase being attributable to the aforementioned severance payments to former officers amounting to \$226,507, and the management fees payable to SCL amounting to \$112,700.

Expenses were offset by \$396,880 (2006 - \$77,244) in interest income earned on the Company's surplus cash balance. The Company also recognized a foreign exchange loss of \$112,721 (2006 - gain of \$1,808) due to the strengthening of the Canadian dollar.

## Capital Expenditures

During the three months ended September 30, 2007, the Company invested \$1 million in a private company by way of a special warrant private placement. Subsequent to the end of the quarter, the Company invested \$2 million in another private company by way of special warrant private placement.

Total exploration spending decreased marginally to \$693,717 during the nine months ended September 30, 2007 from \$740,887 incurred in the same period of 2006. The 2007 deferred expenditures include \$242,512 in land payments as well as costs associated with preliminary exploration programs. Costs incurred on the various Mexican properties totalled \$274,412, of which \$203,399 was incurred at Canasta Dorada. A total of \$189,619 was incurred in the United States. The Mexican and U.S. properties are owned by HDG, and as a consequence of the HDG IPO, as of October 17, 2007, the Company will cease to consolidate these properties in its accounts. The Company's 51%-owned subsidiary, Sundance Minerals Ltd. (formerly Foundation Resources Ltd.) ("Sundance"), commenced a small drill program on the Sharon Gol project in Mongolia, incurring total expenditures of \$152,074. In addition, deferred expenditures include \$76,956 incurred in Bolivia, prior to the completion of the SASC IPO.

Deferred exploration expenditures were offset by a \$31,166 payment received by the Company in respect of a guaranteed exploration commitment under the Markham Wash option agreement. During the comparative period, the Company received an option payment of \$57,518 in respect of the Monitor option agreement.

During the first quarter, the Company ceased to consolidate the accounts of SASC and the Company's consolidated cash and cash equivalents balance was accordingly reduced by \$136,034, representing the cash held by SASC immediately prior to the SASC IPO.

## Summary of Quarterly Results (unaudited)

	Sept. 30, 2007	June 30, 2007	March 31, 2007	Dec. 31, 2006	Sept. 30, 2006	June 30, 2006	March 31, 2006	Dec. 31, 2005
Total Revenues	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil
Deferred exploration expenditures	\$200,553	\$241,342	\$251,822	\$231,353	\$333,821	\$178,917	\$228,149	\$390,407
Net (loss) earnings	(\$468,332)	(\$626,764)	\$1,802,676	\$292,800	(\$241,915)	(\$402,162)	(\$293,427)	(\$683,564)
Net (loss) earnings per share (basic and fully diluted)	(\$0.02)	(\$0.07)	\$0.19	\$0.03	(\$0.03)	(\$0.04)	(\$0.03)	(\$0.07)

The net loss for the quarter ended September 30, 2007 included severance payments to former officers amounting to \$226,507. The net loss for the quarter ended June 30, 2007 included a writedown of the carrying value of the Company's mineral properties amounting to \$219,082. The net earnings for the quarter ended March 31, 2007 included a \$2,101,743 dilution gain on the Company's investment in SASC. The net earnings for the quarter ended December 31, 2006 included a \$1,057,012 gain on the disposal of certain investments, and was offset by a writedown of the carrying value of the Company's mineral properties amounting to \$411,669. The net loss for the quarter ended June 30, 2006 included a foreign exchange loss of \$154,486 resulting from the translation of U.S. dollar-denominated cash and cash equivalents. The net loss for the quarter ended December 31, 2005 included a writedown of the carrying value of the Company's mineral properties amounting to \$441,391.

## Financing Activities

During the third quarter, pursuant to the Private Placement, the Company received net proceeds of \$59.8 million from the issuance of 40 million units at \$1.50 per unit. Each unit was comprised of one common share and one common share purchase warrant, with each warrant being exercisable for two years at \$2.50. During the nine months ended September 30, 2007, the Company received an additional \$2.1 million from the exercise of share purchase warrants and stock options.

During the nine months ended September 30, 2007, the Company incurred professional fees of \$438,832 in respect of the HDG IPO financing that closed subsequent to September 30, 2007. These amounts have been disclosed as deferred share issue costs on the Company's consolidated balance sheet as at September 30, 2007.

## Liquidity and Capital Resources

The Company's aggregate operating, investing and financing activities during the nine month period resulted in a net cash inflow of \$58.9 million. As at September 30, 2007, the Company had cash and cash equivalents of \$66.3 million (December 31, 2006 - \$7.4 million), and working capital of \$66.0 million (December 31, 2006 - \$7.1 million). Cash equivalents comprise bankers' acceptances and term deposits.

The Company also held 8.6 million shares of SASC, with a quoted value of \$7.9 million, and other equity investments at a cost of \$1 million. The SASC shares are subject to escrow restrictions. To date, 4.3 million shares have been released from escrow, with a further 2.15 million scheduled for release on each of February 19, 2008 and August 19, 2008.

### *Contractual Obligations*

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.

## Transactions with Related Parties

The Company has entered into the following transactions with related parties.

	Three months ended Sept. 30, 2007	Three months ended Sept. 30, 2006	Nine months ended Sept. 30, 2007	Nine months ended Sept. 30, 2006
Legal fees expensed	\$38,224	\$32,247	\$170,795	\$99,177
Legal fees included in deferred share issue costs or share issue costs	\$274,304	\$nil	\$303,256	\$nil
Consulting fees expensed	\$20,155	\$23,096	\$82,475	\$38,709
Consulting fees charged to deferred costs	\$19,868	\$25,151	\$48,808	\$100,561
Management fees payable to SCL	\$112,700	\$nil	\$112,700	\$nil

	Sept. 30, 2007	Dec. 31, 2006
Accounts payable to related parties	\$293,182	\$217,844
Prepays and other	\$22,390	\$14,510

### **Critical Accounting Estimates**

The accounting estimates considered to be significant by the Company include the carrying values of mining claims and deferred exploration and of intangibles, the computation of stock-based compensation expense, and the valuation of investments.

Management reviews the carrying values of its mining claims on at least an annual basis or when an impairment event occurs to determine whether an impairment should be recognized. In addition, capitalized costs related to abandoned properties are written off in the period of abandonment. During the second quarter, the Company made the decision to terminate the underlying lease agreement on the Dragoon property, incurring a writedown of \$219,082. Capitalized costs in respect of the Company's mining claims and deferred exploration costs amounted to \$1,995,694 as at September 30, 2007. In the event that the properties are abandoned, lost, or determined to be impaired, these costs may not be recoverable and there is a risk that all or part of these costs may be written down in future periods.

During 2004, the Company recognized an intangible asset of \$117,400 in respect of the agreement to acquire a 51% interest in Sundance. This investment was part of the Company's strategy of funding the property acquisition efforts of entrepreneurial geologists. The intangible asset was attributed to Sundance's management team, including its connection to Mongolia. Sundance has set up a subsidiary in Mongolia and currently is conducting a drill program on the Sharon Gol property. Management reviews the carrying value attributed to the intangible asset on a quarterly basis and during the nine month period ended September 30, 2007, no writedown was taken. There is a risk, however, that the intangible asset could be written down in a future quarter.

The Company uses the fair-value method of accounting for share purchase warrants and for stock-based compensation related to incentive stock options granted, modified or settled. Under this method, compensation cost attributable to all incentive stock options granted is measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. In determining the fair value, the Company makes estimates of the expected volatility of the stock as well as an estimated discount rate. Changes to these estimates could result in the fair value of the stock-based compensation being less than or greater than the amount recorded. During the nine month period, no stock options were granted and the Company recorded stock-based compensation expense of \$nil.

The Company's investments as at September 30, 2007 include securities of public and private companies. Effective January 1, 2007, marketable securities and investments are recorded on the balance sheet at their fair value. Fair value of securities of public companies is determined by reference to quoted market price in an active market.

### **Changes in Accounting Policies including Initial Adoption**

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.

## *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 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 and reported as other comprehensive income or loss. The Company's investment in SASC has been designated as available for sale.

## *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. During the nine months ended September 30, 2007, the Company recorded other comprehensive income of \$4,668,956, representing unrealized gains on the Company's investment in SASC.

## **Off-Balance Sheet Arrangements**

The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or with respect to any obligations under a variable interest equity arrangement.

## **Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents and accounts payable. Cash equivalents consist of highly liquid investments held in the form of high quality commercial paper, the investment terms of which are less than three months at the time of acquisition. The fair values of the financial instruments approximate their book value due to their short-term nature.

As at September 30, 2007, the Company was exposed to currency exchange risks to the extent of its foreign activities principally in the United States and Mexico. The Company does not hedge its exposure to fluctuations in the related exchange rates; however, the Company maintains a portion of its cash and cash equivalents in U.S. dollars.

## **Outstanding Share Data**

Authorized Capital:

Common shares, no par value, unlimited shares

Issued and outstanding:

50,552,950 common shares as at November 12, 2007.

Outstanding options, warrants, and convertible securities as at November 12, 2007:

Type of Security	Number	Exercise Price	Expiry date
Share purchase warrants	912,127	\$2.05	June 25, 2008
Share purchase warrants	40,000,000	\$2.50	September 5, 2009
Stock options	90,000	\$1.25	March 5, 2008
Stock options	294,000	\$1.30	March 5, 2008
Stock options	8,000	\$4.70	March 5, 2008

Type of Security	Number	Exercise Price	Expiry date
Stock options	10,000	\$2.20	March 5, 2008
Stock options	110,000	\$1.75	March 5, 2008
Stock options	69,000	\$5.00	March 5, 2008
Stock options	10,000	\$1.25	May 30, 2008
Stock options	90,000	\$1.30	August 6, 2009
Stock options	100,000	\$1.75	June 9, 2010

## **Risks and Uncertainties**

Exploration for mineral resources involves a high degree of risk. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. The Company will attempt to mitigate such risk by maintaining a diversified portfolio. Management will also attempt to balance such risk through joint ventures with other companies. Beyond exploration risk, management is faced with a number of other risk factors as detailed in the Annual MD&A.

## **Internal Control over Financial Reporting**

As at the date of this report, management is not aware of any change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## **Outlook**

This past quarter included a series of significant events, including the Private Placement, the signing of the MSA, the appointment of new officers and directors and the closing of the HDG IPO. The Company is in a strong financial position with working capital of \$66.0 million as at September 30, 2007. In addition, the Company holds a portfolio of investments valued at \$8.9 million. The Company's new management is continuing to seek out investments in the natural resource sector, in which to deploy its working capital.

## **Other Information**

Additional information related to the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Company's website at [www.sprottresource.com](http://www.sprottresource.com).