

Sprott Resource Corp.

Consolidated Financial Statements

Third Quarter Ended September 30, 2009

(Unaudited – expressed in Canadian dollars)

Sprott Resource Corp.
Interim Consolidated Balance Sheets
As at September 30, 2009

(Unaudited – expressed in Canadian dollars)

	Sept. 30, 2009 \$000's	Dec. 31, 2008 \$000's
Assets		
Current Assets		
Cash and cash equivalents	67,174	45,264
Gold and silver bullion (note 5)	87,877	61,930
Short-term investments (note 6)	75,931	158,283
Note receivable	-	610
Standing crop inventory (note 10)	2,159	-
Prepays and other receivables	5,547	2,050
	<u>238,688</u>	<u>268,137</u>
Investments (note 7)	44,136	28,564
Investment in Stonegate Agricom Ltd. (note 9)	12,004	11,731
Loans and promissory notes receivable	250	150
Mining claims and deferred exploration	521	305
Property, plant and equipment, net of accumulated depletion, depreciation and amortization (note 12)	8,614	5,399
	<u>304,213</u>	<u>314,286</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	3,194	5,618
Income and capital tax payable	230	16,328
	<u>3,424</u>	<u>21,946</u>
Asset retirement obligation (note 13)	79	75
Non-controlling interest	6,163	6,974
Future income tax liability	175	535
	<u>9,841</u>	<u>29,530</u>
Shareholders' Equity		
Capital stock (note 14a)	172,240	163,217
Warrants (note 14c)	44,305	45,036
Contributed surplus (note 14g)	526	400
	<u>217,071</u>	<u>208,653</u>
Retained earnings	76,833	80,623
Accumulated other comprehensive income (loss)	468	(4,520)
	<u>294,372</u>	<u>284,756</u>
	<u>304,213</u>	<u>314,286</u>

Commitments (note 17)

Subsequent events (note 20)

Approved by the Board of Directors

Director

Director

The accompanying notes are an integral part of these financial statements

Sprott Resource Corp.

Interim Consolidated Statements of Operations and Retained Earnings For the three and nine months ended September 30, 2009

(Unaudited – expressed in Canadian dollars)

	Three Month Period Ended Sept. 30, 2009 \$000's	Three Month Period Ended Sept. 30, 2008 \$000's	Nine Month Period Ended Sept. 30, 2009 \$000's	Nine Month Period Ended Sept. 30, 2008 \$000's
Revenue				
Oil and gas revenue	980	-	2,444	-
Oil and gas royalties	(281)	-	(696)	-
Farming revenue	967	-	967	-
	<u>1,666</u>	<u>-</u>	<u>2,715</u>	<u>-</u>
General and administrative expense	2,217	1,321	6,498	1,880
Management fees (notes 15 and 17)	1,493	1,259	4,362	2,237
Management incentive fees (notes 15 and 17)	-	17,430	-	18,213
	<u>3,710</u>	<u>20,010</u>	<u>10,860</u>	<u>22,330</u>
Other income and expenses				
Oil and gas operating and exploration	(1,251)	-	(2,194)	-
Farm production costs	(817)	-	(817)	-
Equity earnings of PBS Coals Limited	-	6,083	-	11,163
Equity loss of Stonegate Agricom Ltd. (note 9)	(367)	(163)	(1,127)	(163)
Gains on disposal of investments (note 7)	869	74,575	6,099	77,748
Gain on dilution from investments	1	11,213	361	11,581
Foreign exchange gain (loss)	(169)	(24)	(180)	(19)
Interest and other income	189	454	976	897
Unrealized loss on investments held for trading	(426)	-	(426)	-
Other income and expenses	-	24	-	(9)
	<u>(1,971)</u>	<u>92,162</u>	<u>2,692</u>	<u>101,198</u>
Earnings (loss) before income taxes	<u>(4,015)</u>	<u>72,152</u>	<u>(5,453)</u>	<u>78,868</u>
Provision for income taxes				
Current income taxes	-	(4,992)	(530)	(5,028)
Future income tax recovery	613	-	1,423	-
	<u>613</u>	<u>(4,992)</u>	<u>893</u>	<u>(5,028)</u>
Non-controlling interest	362	(5)	839	(2)
Net income (loss) for the period	<u>(3,040)</u>	<u>67,155</u>	<u>(3,721)</u>	<u>73,838</u>
Retained earnings (deficit) - Beginning of period				
	<u>79,942</u>	<u>(43,197)</u>	<u>80,623</u>	<u>(49,880)</u>
Share buy back (note 14d)	(69)	(2,820)	(69)	(2,820)
Retained earnings (deficit) - End of period	<u>76,833</u>	<u>21,138</u>	<u>76,833</u>	<u>21,138</u>
Basic earnings (loss) per share	(0.04)	0.76	(0.05)	1.13
Fully diluted earnings (loss) per share	(0.04)	0.75	(0.05)	1.12
Weighted average shares outstanding during the period				
Basic	83,117,483	88,462,690	82,265,276	65,157,431
Fully diluted	83,161,336	89,274,408	82,303,361	65,832,212

The accompanying notes are an integral part of these financial statements

Sprott Resource Corp.

Interim Consolidated Statements of Other Comprehensive Income and Accumulated Other Comprehensive Income

For the three and nine months ended September 30, 2009

(Unaudited – expressed in Canadian dollars)

	Three Month Period Ended Sept. 30, 2009 \$000's	Three Month Period Ended Sept. 30, 2008 \$000's	Nine Month Period Ended Sept. 30, 2009 \$000's	Nine Month Period Ended Sept. 30, 2008 \$000's
Net earnings (loss) for the period before other comprehensive income	(3,040)	67,155	(3,721)	73,838
Unrealized gains (losses) on available for sale investments (notes 7 and 9)	(1,968)	161,265	5,148	160,430
Future income taxes	256	(31,498)	(160)	(31,498)
Comprehensive income for the period, net of tax	<u>(4,752)</u>	<u>196,922</u>	<u>1,267</u>	<u>202,770</u>
Accumulated other comprehensive income (loss) – beginning of period	2,180	965	(4,520)	1,800
Unrealized gains (losses) on available for sale investments (note 7 and 9)	(1,968)	161,265	5,148	160,430
Future income taxes	256	(31,498)	(160)	(31,498)
Accumulated other comprehensive income – end of period, net of tax	<u>468</u>	<u>130,732</u>	<u>468</u>	<u>130,732</u>

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Sprott Resource Corp.
Interim Consolidated Statements of Cash Flows
For the three and nine months ended September 30, 2009

(Unaudited – expressed in Canadian dollars)

	Three Month Period Ended Sept. 30, 2009 \$000's	Three Month Period Ended Sept. 30, 2008 \$000's	Nine Month Period Ended Sept. 30, 2009 \$000's	Nine Month Period Ended Sept. 30, 2008 \$000's
Cash flows from (used in) operating activities				
Net earnings (loss) for the period	(3,040)	67,155	(3,721)	73,838
Items not affecting cash				
Depletion, depreciation and amortization	221	1	536	5
Stock-based compensation	41	-	114	-
Equity earnings of PBS Coals Limited	-	(6,083)	-	(11,164)
Gain on dilution from PBS Coals Limited	-	(7,801)	-	(7,801)
Gain on dilution from investments (includes Stonegate)	(1)	(3,411)	(361)	(3,779)
Equity loss of Stonegate Agricom Ltd.	367	-	1,127	-
Non-controlling interest	(362)	5	(839)	3
Future income tax recovery	(617)	-	(1,420)	-
Current income taxes	-	-	530	-
Gain on disposal of PBS Coals Limited shares	-	(73,646)	-	(73,646)
Gain on disposal of investments	(869)	(929)	(6,099)	(4,102)
Unrealized losses on investments held for trading	426	-	426	-
Asset retirement obligation accretion	1	-	4	-
Write off of oil and gas properties and equipment	-	-	22	-
	<u>(3,833)</u>	<u>(24,709)</u>	<u>(9,681)</u>	<u>(26,646)</u>
Changes in non-cash operating working capital				
Change in prepaids and other receivables	(420)	(155)	(2,594)	(295)
Change in standing crop inventory	226	-	(2,159)	-
Change in loans and promissory notes receivable/note receivable	(100)	(653)	(47)	(653)
Change in accounts payable and accrued liabilities	235	23,692	(19,053)	24,798
	<u>(3,892)</u>	<u>(1,825)</u>	<u>(33,534)</u>	<u>(2,796)</u>
Cash flows from (used in) investing activities				
Purchase of PBS Coals Limited shares	-	-	-	(24,447)
Purchase of gold and silver bullion	(25,947)	-	(25,947)	-
Purchase of investments	(7,312)	(39,001)	(20,605)	(40,403)
Purchase of short-term investments	(14,984)	(48,524)	(54,450)	(48,518)
Proceeds of short-term investments matured/sold	37,581	-	136,821	-
Proceeds on sale of investments	2,316	2,760	15,374	7,387
Proceeds on sale of PBS Coals Limited shares	-	99,146	-	99,145
Investment in mining claims	(9)	317	(212)	(1,291)
Deferred exploration expenditures	-	(198)	-	(536)
Purchase of property, plant and equipment	(1,804)	(7)	(3,772)	(24)
Net identifiable assets on deconsolidation of former subsidiary	-	-	-	233
	<u>(10,159)</u>	<u>14,493</u>	<u>47,209</u>	<u>(8,454)</u>
Cash flows from (used in) financing activities				
Proceeds from exercise of options	117	-	117	-
Proceeds from issuance of capital stock	-	43,264	-	92,641
Proceeds from exercise of warrants	7,832	-	8,332	-
Repurchase of capital stock	(214)	(8,423)	(214)	(8,423)
	<u>7,735</u>	<u>34,841</u>	<u>8,235</u>	<u>84,218</u>
Change in cash and cash equivalents	<u>(6,316)</u>	<u>47,509</u>	<u>21,910</u>	<u>72,968</u>
Cash and cash equivalents – Beginning of period	<u>73,490</u>	<u>59,542</u>	<u>45,264</u>	<u>34,083</u>
Cash and cash equivalents – End of period	<u>67,174</u>	<u>107,051</u>	<u>67,174</u>	<u>107,051</u>
Cash and cash equivalents are comprised of:				
Cash	67,174	78,534	67,174	78,534
Short-term investments	-	28,517	-	28,517
	<u>67,174</u>	<u>107,051</u>	<u>67,174</u>	<u>107,051</u>

The accompanying notes are an integral part of these financial statements

Sprott Resource Corp.

Interim Consolidated Statements of Cash Flows

For the three and nine months ended September 30, 2009

(Unaudited – expressed in Canadian dollars)

	Three Month Period Ended Sept. 30, 2009 \$000's	Three Month Period Ended Sept. 30, 2008 \$000's	Nine Month Period Ended Sept. 30, 2009 \$000's	Nine Month Period Ended Sept. 30, 2008 \$000's
Supplemental cash flow information				
Fair value of stock options exercised	88	-	126	438
Fair value of warrants exercised	-	22,971	-	44,305
Unrealized gain on investments	(1,968)	161,265	5,148	160,430
Common shares issued to acquire mining claims	-	-	-	7,705
Future income tax liability	(241)	(31,498)	(360)	(31,498)
Future income tax receivable (classified as a component of prepaids and other receivable)	(632)	-	(900)	-

The accompanying notes are an integral part of these financial statements

Sprott Resource Corp.

Notes to Interim Consolidated Financial Statements

September 30, 2009

(Unaudited – expressed in Canadian dollars)

1 Organization and nature of operations

Sprott Resource Corp. (the “Company”) was incorporated under the Canada Business Corporations Act (“CBCA”) on August 19, 1994.

The Company’s principal activities are investment in natural resources through direct acquisitions, joint ventures and equity investments.

The Company consolidates the operations of its subsidiaries, Waseca Energy Inc. (“Waseca”), One Earth Farms Corp. and its operating subsidiaries (collectively “One Earth Farms”), One Earth Resources Corp. (“One Earth Resources”), as well as the L-S Alliance. In addition, the Company equity accounts for Stonegate Agricom Ltd. (“Stonegate Agricom”). Subsequent to quarter end, the Company acquired Auriga Energy Inc. (“Auriga”). See note 20, “*Subsequent Events*”, for additional information.

2 Significant accounting policies

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”), using the same accounting policies and methods as per the annual audited consolidated financial statements for the year ended December 31, 2008, with the additions described in notes 3 and 4. They do not include all of the disclosures required by Canadian GAAP, and should be read in conjunction with the most recent annual audited consolidated financial statements of the Company.

The results of operations for the nine months ended September 30, 2009 are not necessarily indicative of those to be expected for the entire year ending December 31, 2009.

3 Adoption of new accounting standards and farm accounting policies

Goodwill and intangible assets - Section 3064

The CICA issued the new Handbook Section 3064, Goodwill and Intangible Assets, which replaced Section 3062, Goodwill and Other Intangible Assets. The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. There has been no impact, upon adoption, in the consolidated financial statements.

As a result of the commencement of farm operations, the Company has applied the following accounting policies during the nine months ended September 30, 2009.

Farm inventory – Section 3031

a) Grain Inventory

Grain inventories are recorded at the net realizable value. Inventories available for immediate delivery are recorded at the net farm price (market price less selling costs) as the products have a reliable and realizable market price with predictable disposal costs. Inventories not available for immediate delivery (crops growing in the field) are recorded at the lower of input cost and net realizable value. The net realizable value is obtained by multiplying the provincial crop insurance agency’s area average yield for each crop times the net farm price (market price less selling costs). Net farm price is based on the monthly average price for the last month of the quarter.

Sprott Resource Corp.

Notes to Interim Consolidated Financial Statements

September 30, 2009

(Unaudited – expressed in Canadian dollars)

b) Purchased Inventory

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

Farm Revenue Recognition - Section 3400

Revenue is recognized at the time of delivery and transfer of title, net of selling costs.

Credit Risk and Fair Value of Financial Assets and Liabilities

In January 2009, the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. This standard is effective for the fiscal year beginning January 1, 2009. Adoption of this EIC did not have a significant effect on the Company's financial statements.

Mining Exploration Costs

In March 2009, the CICA issued EIC-174, "Mining Exploration Costs." The EIC provides guidance on the accounting and the impairment review of exploration costs. This standard is effective for our fiscal year beginning January 1, 2009. The application of this EIC did not have an effect on the company's financial statements as at September 30, 2009.

Financial instruments - Section 3855

In December 2008, the CICA amended to Section 3855 to (i) change the categories into which a debt instrument is required or permitted to be classified; (ii) change the impairment model for held-to-maturity financial assets to the incurred credit loss model of CICA; and (iii) require reversal of previously recognized impairment losses on available-for-sale financial assets in specified circumstances. These amendments apply to annual financial statements for years beginning on/after November 1, 2008. Adoption of Section 3855 did not have a significant effect on the Company's financial statements.

The amendments also added guidance concerning the assessment of embedded derivatives upon reclassification of a financial asset out of the held-for-trading category. These amendments apply to reclassifications made on/after July 1, 2009. Finally, the amendments also clarified the application of the effective interest method after a debt instrument has been impaired. These amendments are effective on issue in June 2009. Adoption of Section 3855 did not have a significant effect on the Company's financial statements.

4 Future accounting and reporting changes

Business combinations, consolidated financial statements and non-controlling interest

In January 2009, The CICA issued CICA Handbook Section 1582, Business Combinations, Section 1601, Consolidations, and Section 1602, Non-controlling Interests. These sections replace the former CICA Handbook Section 1581, Business Combinations and Section 1600, Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. The section applies prospectively to business combinations for which the acquisition

Sprott Resource Corp.

Notes to Interim Consolidated Financial Statements

September 30, 2009

(Unaudited – expressed in Canadian dollars)

date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination.

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year.

All three sections must be adopted concurrently. The Company is currently evaluating the impact of adopting the sections.

Financial instruments - disclosures

CICA Handbook Section 3862, financial instrument disclosures, was amended to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements for publicly accountable enterprises and other entities that choose to apply this Section. The amendments apply to annual financial statements for years ending after September 30, 2009.

5 Gold and silver bullion

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

Bullion	Ounces	As at September 30, 2009			As at December 31, 2008			
		Cost \$000's	Average cost per ounce \$	Fair value Sept. 30, 2009 \$000's	Ounces	Cost \$000's	Average cost per ounce \$	Fair value Dec. 31, 2008 \$000's
Gold	64,783	65,144	1,005.57	69,165	40,475	39,197	968.00	43,437
Silver	1,783,013	22,733	12.75	31,448	1,783,013	22,733	12.75	24,606
		<u>87,877</u>		<u>100,613</u>		<u>61,930</u>		<u>68,043</u>

6 Short-term Investments

At September 30, 2009, the Company had the following short-term investments:

	Maturity date range	Weighted average interest rate / annum %	Investment \$000's
Government of Canada treasury bills, held with Scotia Capital Inc.	October 1, 2009 to November 26, 2009	0.65	75,931

At December 31, 2008, the Company had the following short-term investments:

	Maturity date range	Weighted average interest rate / annum %	Investment \$000's
Government of Canada treasury bills, held with Scotia Capital Inc.	January 22, 2009 to October 29, 2009	1.71	158,283

Sprott Resource Corp.

Notes to Interim Consolidated Financial Statements

September 30, 2009

(Unaudited – expressed in Canadian dollars)

7 Investments

The Company has a portfolio of investments in securities of public and private companies. The Company's ownership percentage in each case is less than 20%.

	Three Month Period Ended Sept. 30, 2009 \$000's	Nine Month Period Ended Sept. 30, 2009 \$000's
Opening balance	40,665	28,564
Acquisitions during the period	7,312	20,605
Unrealized gains (losses) on available for sale securities during the period	(1,968)	4,668
Unrealized loss on held for trading securities during the period	(426)	(426)
Proceeds on disposal of investments at fair market value	(2,316)	(15,374)
Gain on disposal of investments - net	869	6,099
Closing balance at fair value	44,136	44,136

At September 30, 2009, 57% of the total market value of securities held by the Company were public securities, and the remaining 43% were privately held securities. Included in the acquisitions during the period was \$3.5 million which was invested into Auriga Energy Inc. through a newly formed subsidiary Orion Oil and Gas Ltd. ("Orion"). See note 11 "Investment in Orion Oil and Gas Ltd." and note 20, "Subsequent Events", for additional information.

8 Investment in Waseca Energy Inc.

During 2008, the Company purchased 45.3 million common shares of Waseca for an aggregate purchase price of \$27.2 million (\$0.60 per share) representing 79.72% of Waseca's outstanding common shares. The transaction was accounted for as an acquisition of assets and liabilities using the purchase method. The Company's interest in Waseca decreased to 79.24% as at December 31, 2008 with Waseca issuing additional shares to external parties. The Company's interest in Waseca was further decreased to 79.14% as at September 30, 2009 with Waseca issuing additional shares to external parties. Waseca currently has 57.2 million shares issued and outstanding and 64.7 million fully diluted (see notes 14e "The Waseca Stock Option Plan" and note 14f "Waseca Performance Shares" for additional information on the dilutive securities). The results of Waseca's operations have been included in the consolidated financial statements from the date of acquisition. Waseca is a private Canadian oil and gas company whose primary focus is heavy oil production from the Lloydminster area near the border between Alberta and Saskatchewan.

9 Investment in Stonegate Agricom Ltd.

The Company initially owned 60 million common shares representing an 81% interest of Stonegate Agricom Ltd. ("Stonegate Agricom"). Pursuant to a Voting Agreement, the Company does not control Stonegate Agricom and therefore has equity accounted for the investment. The Company agreed to vote its Stonegate Agricom shares in favour of each nominee to the board of directors of Stonegate Agricom proposed by the management of Stonegate Agricom for a period of three (3) years from the date of the IPO of Stonegate Agricom, provided that one such nominee is a representative of the Company. In the second quarter of 2009, Stonegate Agricom completed a private placement of \$1,556 thousand (\$556 thousand of which was the Company converting an outstanding loan to common shares – see below for additional information).

During 2008, the Company loaned Holdco (now Stonegate) US\$500 thousand (March 31, 2009 - \$631 thousand) to assist in the purchase of mining properties (the "Loan"). During the second quarter of 2009, the Company and Stonegate signed a debt settlement agreement pursuant to which the Company agreed to discharge Stonegate's obligation to pay the Company the Loan in consideration for 1,112,000 common shares of Stonegate at a price of \$0.50 per common share. As a result, the Loan has been discharged and as at September 30, 2009, the Company owned 61.1 million Stonegate shares (77.25%). See note 20 "Subsequent Events" for additional information.

Sprott Resource Corp.

Notes to Interim Consolidated Financial Statements

September 30, 2009

(Unaudited – expressed in Canadian dollars)

As at September 30, 2009, Stonegate Agricom has 15 million (June 30, 2009 – 15 million) share purchase warrants outstanding exercisable at \$0.75 per common share, none of which the Company holds. Stonegate Agricom holds mineral claims relating to the Mantaro Phosphate Project, located in Peru. A summary of 100% of the assets and liabilities of Stonegate Agricom as at September 30, 2009 and the results of operations for the period ending September 30, 2009 are as follows:

	As at Sept. 30, 2009 \$000's	As at Dec. 31, 2008 \$000's
Assets		
Total current assets	4,004	5,525
Total non-current assets	15,642	14,018
	<u>19,646</u>	<u>19,543</u>
Liabilities		
Total current liabilities	131	709
Total non-current liabilities	3,975	3,975
	<u>4,106</u>	<u>4,684</u>
Shareholder's Equity		
Share capital	17,445	15,939
Contributed surplus	324	324
Accumulated other comprehensive loss	-	(612)
Deficit	(2,229)	(792)
	<u>19,646</u>	<u>19,543</u>

	Three Month Period Ended Sept. 30, 2009 \$000's	Three Month Period Ended Sept. 30, 2008 \$000's	Nine Month Period Ended Sept. 30, 2009 \$000's	Nine Month Period Ended Sept. 30, 2008 \$000's
Revenue	2	20	14	20
Expenses	(477)	(227)	(1,575)	(227)
Loss before income taxes	<u>(475)</u>	<u>(207)</u>	<u>(1,561)</u>	<u>(207)</u>
Loss for the period	<u>(475)</u>	<u>(228)</u>	<u>(1,437)</u>	<u>(228)</u>
Company share of equity loss of Stonegate Agricom	<u>(367)</u>	<u>(163)</u>	<u>(1,127)</u>	<u>(163)</u>

The investment in Stonegate Agricom is as follows:

	Three Month Period Ended Sept. 30, 2009 \$000's	Nine Month Period Ended Sept. 30, 2009 \$000's
Balance – beginning of period	12,371	11,731
Share of loss for the period	(367)	(1,123)
Acquisitions	-	556
Gain on dilution from Stonegate Agricom Ltd.	-	360
Share of accumulated other comprehensive income	-	480
Balance – end of period	<u>12,004</u>	<u>12,004</u>

Sprott Resource Corp.

Notes to Interim Consolidated Financial Statements

September 30, 2009

(Unaudited – expressed in Canadian dollars)

10 One Earth Farms Corp.

One Earth Farms began farming operations on First Nations' farmland in the Province of Saskatchewan. During the second quarter of 2009, the Company invested \$27.5 million in One Earth Farms through the purchase of 30 million units. Each unit entitles the Company to one common share of One Earth Farms and one common share purchase warrant exercisable for \$1.00 for a period of five years from the subscription date. Refer to note 17, "Commitments", One Earth Farms for additional information.

During the third quarter of 2009, One Earth Farms commenced its crop harvest and recorded \$967 thousand of revenue from the delivery and sale of canola. Production costs for the canola delivered and sold in the third quarter were \$817 thousand.

	Three and Nine Month Period Ended Sept. 30, 2009 \$000's
Farm revenue	967
Production costs ¹	(817)
	<hr/>
Gross profit on farming operations	150
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One Earth Farm's standing crop inventory is as follows:

	June 30, 2009		Production	Sept. 30, 2009
	Opening Balance	Additions	Costs	Closing Balance
	\$000's	\$000's	\$000's	\$000's
Standing crop inventory	2,385	591	(817)	2,159

1. Included in production costs are direct farm labour, direct crop inputs (seed, fertilizer, chemicals and fuel), crop insurance and equipment depreciation and amortization. Excluded are all overhead costs (farm management, premises leases, etc.) and cropland leases.

11 Investment in Orion Oil and Gas Ltd.

On September 28, 2009, the Company announced that it had entered into an agreement to purchase, through Orion, all of the issued and outstanding common shares of Auriga, a private oil and gas company operating in Alberta, by way of an exempt take-over bid. The transaction was completed on October 20, 2009. See note 20, "Subsequent Events, Auriga Energy Inc. Acquisition," for additional information.

Sprott Resource Corp.

Notes to Interim Consolidated Financial Statements

September 30, 2009

(Unaudited – expressed in Canadian dollars)

12 Property, plant and equipment

	As at September 30, 2009		
	Cost	Accumulated depletion and depreciation	Net book value
	\$000's	\$000's	\$000's
Oil and gas properties	6,563	(440)	6,123
Oil and gas equipment	311	(11)	300
Farm equipment	2,125	(82)	2,043
Other property, plant and equipment	188	(40)	148
	<u>9,187</u>	<u>(573)</u>	<u>8,614</u>

	As at December 31, 2008		
	Cost	Accumulated depletion and depreciation	Net book value
	\$000's	\$000's	\$000's
Oil and gas properties	5,164	(17)	5,147
Oil and gas equipment	274	(22)	252
Farm equipment	-	-	-
Other property, plant and equipment	-	-	-
	<u>5,438</u>	<u>(39)</u>	<u>5,399</u>

13 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.

The Company calculated the ARO related to oil and gas properties using a discount rate of 7% and an inflation rate of 2%. It is assumed that the drilled wells will be abandoned seven years from the date drilled. The future undiscounted amount of ARO is estimated at \$121 thousand. All accretion expenses related to ARO are included within depreciation, depletion and amortization.

14 Shareholders' equity

a) Issued and outstanding

	Number of common shares	Amount \$000's
Balance - December 31, 2008	81,807,224	163,217
Exercise of warrants	3,332,800	8,332
Fair value of warrants exercised	-	631
Exercise of stock options	90,000	117
Fair value of stock options exercised	-	88
Normal course issuer bid – repurchase of capital stock	(71,000)	(145)
Balance – September 30, 2009	<u>85,159,024</u>	<u>172,240</u>

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b) 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 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 three and nine month periods ended September 30, 2009, 75,000 stock options were granted to independent directors of the Company at a strike price of \$2.98 per share and 90,000 stock options were exercised at \$1.30 per share. There were no stock option cancellations or expiries.

The fair value of the share options granted were estimated as at the grant date using the Black-Scholes option pricing model. The assumptions used in the calculation relating to these options are noted below:

Risk-free interest rate	2.69%
Expected life	5 years
Expected volatility	75%
Fair value per option	\$ 1.86

The following table summarizes information about the Company's stock options outstanding and exercisable at December 31, 2008 and September 30, 2009.

Exercise price (\$)	As at September 30, 2009			As at December 31, 2008		
	Number of options	Weighted average remaining contractual life (years)	Number of options exercisable	Number of options	Weighted average remaining contractual life (years)	Number of options exercisable
1.30	-	-	-	90,000	0.60	90,000
1.75	100,000	0.69	100,000	100,000	1.44	100,000
3.32	75,000	3.91	25,000	75,000	4.65	-
2.98	75,000	4.92	-	-	-	-
	<u>250,000</u>	<u>2.93</u>	<u>125,000</u>	<u>265,000</u>	<u>2.04</u>	<u>190,000</u>

Compensation expense for the nine-month period ended September 30, 2009 was \$64 thousand (September 30, 2008 – \$7 thousand), all of which has been recorded as a non-cash stock-based compensation expense classified as a general and administrative expense.

c) Share warrants

Warrants to acquire common shares outstanding at September 30, 2009 are as follows:

Number of warrants outstanding	Expiry date	Exercise price (\$)
16,594,284	Dec. 31, 2010	4.25

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d) Normal Course Issuer Bid

On August 21, 2009, the Company announced a normal course issuer bid (“Bid”) to repurchase for cancellation a maximum of 6.25 million of its issued and outstanding common shares within one year. During the period ended September 30, 2009, 71 thousand common shares with an aggregate cost of \$214 thousand (average cost of \$3.01 per common share including trading commissions) were repurchased under this Bid. This resulted in \$145 thousand being recorded as a reduction to share capital and \$69 thousand as a reduction in retained earnings. These shares were cancelled and returned to treasury prior to September 30, 2009.

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 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 five years.

The fair value of the stock options granted during the period under the Waseca Plan is estimated at the grant date using the Black-Scholes option pricing model. The assumptions used in the calculation are noted below:

Risk-free interest rate	3.11%
Expected life	5 years
Expected volatility	Nil%
Fair value per option	\$0.08

The following table summarizes information about Waseca’s stock options outstanding under the Waseca Plan at September 30, 2009:

Exercise price (\$)	Number of options	As at	Number of options exercisable	Number of options	As at	Number of options exercisable
		September 30, 2009			December 31, 2008	
		Weighted average remaining contractual life (years)			Weighted average remaining contractual life (years)	
0.60	2,524,400	4.0	28,794	2,250,000	4.8	-

Compensation expense under the Waseca Plan for the nine-month period ended September 30, 2009 was \$50 thousand (2008 - \$nil), all of which has been recorded as a non-cash stock-based compensation expense classified as a general and administrative expense.

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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:

Transaction value ¹ (\$)	As at September 30, 2009			As at December 31, 2008		
	Number of Performance Shares outstanding	Weighted average remaining contractual life (years)	Number of Performance Shares convertible	Number of Performance Shares outstanding	Weighted average remaining contractual life (years)	Number of Performance Shares convertible
0.69	1,230,950	4.00	-	1,112,500	4.75	-
0.90	1,230,950	4.00	-	1,112,500	4.75	-
1.20	1,230,950	4.00	-	1,112,500	4.75	-
1.50	1,230,950	4.00	-	1,112,500	4.75	-
	4,923,800	4.00	-	4,450,000	4.75	-

1. Above table denotes transaction value required to trigger option to convert to common shares at \$0.60 per Performance Share. A transaction event occurs when Waseca's share price exceeds the prices noted in the above table resulting from liquidation or a public transaction.

As of September 30, 2009, neither a liquidity event nor a public transaction had occurred and therefore the fair value of the Performance Shares have not been recognized in these financial statements.

g) Contributed surplus

	Amount \$000's
Balance – December 31, 2008	400
Stock-based compensation	114
Expiry of warrants	100
Fair value attributed to stock options exercised	(88)
	<hr/>
Balance – September 30, 2009	526

Included in stock based compensation amount is \$50 thousand (2008 - \$nil) is attributable to the Waseca Plan.

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15 Related party transactions

Related party transactions not disclosed elsewhere in these consolidated financial statements are as follows:

- a) During the three months ended September 30, 2009, directors fees of \$31 thousand (September 30, 2008 - \$57 thousand) were charged by independent directors of the Company. Directors' fees are charged to the statements of operations.
- b) During the three months ended September 30, 2009, One Earth Farms paid \$91 thousand to certain officers through their personal consulting companies (September 30, 2008, - \$nil). Consulting fees are charged to the statements of operations.
- c) During the three months ended September 30, 2009, management fees of \$1.5 million (September 30, 2008 - \$1.3 million in management fees and \$17.4 in incentive fees) were incurred, which are payable to Sprott Consulting Limited Partnership ("SCLP"), an entity with directors and management in common.
- d) Included in accounts payable and accrued liabilities as at September 30, 2009 was \$1.5 million (September 30, 2008 - \$19.5 million) payable to SCLP for management fees, \$31 thousand related to directors' fees and \$30 thousand related to consulting fees. These amounts are non-interest bearing and have no specific terms of repayment.
- e) Included in investments as at September 30, 2009 is an investment in Tournigan Energy Ltd ("Tournigan") at fair market value of \$3.3 million. The price paid for such shares was \$3.0 million or \$0.22 per share from funds managed by the Chairman of the Company.
- f) An officer of One Earth Farms is also a director of Viterra Inc. ("Viterra") and it is expected that One Earth Farms will continue to do business with Viterra from time to time. As at September 30, 2009, \$33 thousand of crop inputs have been purchased from Viterra; of which \$20 thousand are included in inventory and \$13 thousand have been recorded as crop production costs. The company purchased a \$96 thousand grain cart from Viterra during the quarter. One Earth Farms has also entered into basis-only contracts for 2,580 tonnes of canola for delivery to Viterra. 1,580 tonnes were delivered to Viterra in September and 1,000 tonnes were delivered in October 2009. Subsequent to quarter end, another 3,500 tonnes of canola was committed for delivery under a basis-only contract with Viterra.

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

16 Segment information¹

The Company operates within the oil and gas industry and agriculture industries through direct acquisitions, joint ventures and equity investments. Industry segmentation of the Company assets is as follows:

	September 30, 2009	December 31, 2008
	\$000's	\$000's
Oil and gas	29,874	32,459
Agriculture	26,402	-
Investments	44,136	28,564
Unallocated	203,801	253,263
Total assets	<u>304,213</u>	<u>314,286</u>

1. Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current period.

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17 Commitments

Contractual Obligations (\$000's)	Total	2009	Payments Due by Period				2014 and beyond
			2010	2011	2012	2013	
Farm leases (a)	3,785	118	371	487	487	487	1,835
Operating lease (b)	809	86	343	316	24	24	16
Equipment lease	45	3	10	10	10	10	2
Total Contractual Obligations	4,639	207	724	813	521	521	1,853

- a) Farm leases encompass contractual agreements with First Nations regarding the rental of cultivated land for growing crops and the farming of haylands. As at September 30, 2009, approximately 13,000 acres had been leased for growing crops and approximately 2,000 acres for growing hay. The lease agreements can be terminated by One Earth Farms with notice of not less than one year. The term of the lease agreements ranges between 4.5 years to 9.5 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 an annual rent based on the fair value determination rate of the land. The fair value determination rate of the land will be determined through a defined process that will include, in part, a review by an independent professional land valuator. For the purposes of calculating the commitment in future years, management has assumed that the rent is equal to the contracted rent in the first year of the agreement.

For the hayland leases, One Earth Farms will pay the equivalent of one-half of the proceeds of the baled hay to the landowner as rent. One Earth Farms is responsible for the costs related to the production and harvesting of the hay. It is currently not possible for management to determine the proceeds of harvesting the haylands and no amount has been included in the above commitments table.

- b) Waseca's operating lease relates to leased office space in Calgary, Alberta for a three-year term commencing December 1, 2008. The estimated annual rent obligations are \$319 thousand for each of the years 2009 and 2010, and \$292 thousand for 2011. Waseca has the option to extend the lease for an additional five years under the same terms and conditions currently in place. Management estimates that this option has \$nil value given current market conditions.

One Earth Farms has entered into operating leases to lease office space in Saskatoon, Saskatchewan and in Calgary, Alberta. The Calgary lease is a sublease from Waseca and included in the commitments above. The Saskatchewan lease expires on August 31, 2014. The estimated annual rent obligations are \$8 thousand in 2009, \$24 thousand in 2010 through to 2013 and \$16 thousand in 2014.

- c) On September 5, 2007, the Company entered into the Management Services Agreement ("MSA") with Sprott Consulting Limited ("SCL"), a then wholly-owned subsidiary of Sprott Asset Management Inc. ("SAM") with an initial term of three years. The MSA was approved by shareholders of the Company at a special meeting of shareholders held on August 31, 2007. Pursuant to the terms of the MSA, SCL was appointed by the Company to manage, or engage others to manage, the undertaking and affairs of the Company. In consideration for providing these services, the Company agreed to pay SCL an annual services fee equal to 2% of the net asset value (as defined in the MSA) of the Company calculated and payable at the end of each calendar quarter based on the average quarter-end net asset value of the Company and an annual incentive fee equal to 20% of: (a) the pre-tax profits of the Company for the year minus (b) the average month-end net asset value of the Company for the year multiplied by the percentage return of the Canadian 30-Year Generic Bond Index. On December 1, 2007, SCL assigned the MSA to SCLP, the successor to SCL, as part of an internal reorganization involving SAM and its subsidiaries.

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18 Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain a flexible capital structure which optimizes the costs of capital as an acceptable risk.

In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust capital structure, the Company may attempt to issue new shares, repurchase for cancellation outstanding shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments. The Company has no debt and does not expect to enter into debt financing. Operating subsidiaries may enter into debt financing as necessary.

The Company is not subject to any capital requirements imposed by a regulator. The Company does not pay out dividends.

The Company's cash management policy is to invest its cash in highly liquid short-term Government of Canada issued treasury bills, with maturities of three months or less from the original date of acquisition, and bullion.

19 Financial instruments

Fair value of financial instruments

The Company's financial instruments consist of cash and cash equivalents, short-term investments, note receivable, other receivable, promissory notes receivable, investments and accounts payable and accrued liabilities. Cash equivalents consist of highly liquid investments held in the form of Government of Canada treasury bills, the investment terms of which are less than three months at the time of acquisition, and are all held in Canadian dollars. The Company has no asset backed commercial paper. Portfolio investments in securities of publicly traded companies are reported at fair value. The fair values of the other instruments approximate their book value due to their short-term nature.

Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The company has limited operating exposure to fluctuations in the exchange rate. However, certain of the Company's financial instruments are exposed to fluctuations in the U.S. dollar, including the physical gold and silver bullion. Assuming the price of gold and silver bullion remained constant, a hypothetical change of 10% to the foreign exchange rate between the U.S. dollar and the Canadian dollar applied to the gold and silver bullion during the period would have an impact of approximately \$10.1 million (3.3% of assets). The Company values its bullion at the lower of cost and market. If the market value of the bullion falls below the cost, the Company would recognize a loss through the income statement. The Company would not recognize a gain if the market value is greater than the cost. This impact would be unrealized until the bullion was sold.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its commercial obligations.

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

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Market risk

Market risk is the risk that changes in market prices, such as interest rates, gold and silver bullion and equity prices, will affect the Company's operations or the value of its financial instruments. The Company will generate a portion of its revenue from the proceeds of disposition from its equity investments in natural resource companies. The values of such investments are subject to general market risks and all the risks specific to natural resource companies. If the value of these investments declines, as a result of company specific issues or market conditions generally, the Company may suffer capital losses. Management performed a sensitivity analysis of the portfolio investments and the physical gold and silver bullion against a 10% fluctuation in the stock market. A 10% fluctuation in the S&P TSX Composite Index would impact the Company's net assets excluding cash and cash equivalents and short-term investments by a pre-tax amount of 4.7 million (3%) and net assets including cash and cash equivalents and short-term investments also by a pre-tax amount of 4.7 million (1.6%). These hypothetical unrealized gains and losses on available for sale investments would be recognized in other comprehensive income and subject to approximately \$588 thousand in future tax.

The Company manages its cash according to its operational needs and to optimize revenues from interest.

Liquidity risk

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

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

Interest rate risk

The Company is exposed to minimal interest rate risk on its cash and cash equivalents and short-term investments with terms of maturity within one year. The Company has a low sensitivity to interest rate declines as the maximum exposure would result in interest income to decline to \$nil. This would not materially impact the Company as interest income is not depended upon as a primary source of income. The interest rate on its short-term investments is at a fixed rate.

20 Subsequent events

The Company entered into the following transactions subsequent to September 30, 2009:

a) Auriga Energy Inc. Acquisition

On September 25, 2009, the Company entered into an acquisition agreement (the "Acquisition Agreement") with Orion (formerly 1491542 Alberta Ltd.), a then wholly-owned subsidiary of the Company, Auriga and a controlling shareholder of Auriga to purchase, through Orion, all of the issued and outstanding common shares of Auriga (the "Acquisition"). Under the terms of the Acquisition Agreement, each shareholder of Auriga was entitled to receive 0.3 of an Orion common share and 0.0979 of the Company common share for each Auriga common share held.

Concurrently with the execution of this Acquisition Agreement, the Company subscribed for 7,954,545 common shares of Orion at a price of \$0.44 per common share. Orion used the proceeds to invest \$3.5 million into Auriga.

The Acquisition closed on October 20, 2009. The Company issued 13.85 million common shares to complete

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the Acquisition for which it received 99,049,643 common shares of Orion.

Concurrently with the closing of the Acquisition, Orion completed a \$61.5 million private placement pursuant to which it issued 139,772,727 common shares at \$0.44 per common share. As part of the Private Placement, the Company purchased 122,330,162 common shares for \$53,825,271. The balance of the common shares issued as part of the Private Placement was subscribed for by management of Orion, and their associates, as well as by former shareholders of Auriga.

As at October 20, 2009 as a result of the Acquisition and the completion of the Private Placement, the Company owns 229,334,350 common shares of Orion out of 289,226,761 common shares outstanding (79.3%). Auriga is a wholly-owned subsidiary of Orion. The Company's total purchase consideration for the 229.3 million Orion shares is \$105.1 million.

Loan to Orion

On the closing of the Acquisition, the Company signed a loan agreement with Auriga pursuant to which it agreed to loan Auriga \$10 million (the "Auriga Loan"). The Auriga Loan will be repaid once Auriga is able to establish a credit facility with a financial institution. The annual interest rate on the Auriga Loan is 3.75% per annum.

Wintraysan Capital Corp. Business Combination

On October 13, 2009, Orion and Wintraysan Capital Corp. ("Wintraysan") signed a letter agreement pursuant to which Wintraysan has agreed to acquire all of the issued and outstanding shares of Orion via the issuance of approximately 870,000,000 common shares or other securities convertible into common shares into the capital of Wintraysan. It is expected that after the business combination between Orion and Wintraysan, current shareholders of Wintraysan will hold less than 1 percent of the issued and outstanding common shares of the merged entity.

- b) Subsequent to quarter end, the Company sold its silver bullion position for a gain of \$9.9 million and purchased an additional 9,188 ounces of gold bullion for a cost of \$10.4 million.
- c) The Company purchased \$961 thousand of publicly traded securities, and received proceeds of \$3.1 million on the disposal of publicly traded securities, resulting in a gain of \$253 thousand.
- d) The Company purchased 1.9 million of its own shares through the share buyback at an average cost of \$3.91 per share.
- e) Waseca spent \$7.0 million to acquire additional land.
- f) Stonegate Agricom agreed to acquire a 100% interest in the Paris Hills Phosphate/Vanadium Property, located in Bear Lake County in Idaho, USA. As consideration for the acquisition, Stonegate paid \$1,000,000 in cash and issued 6,000,000 common shares valued at \$0.50 per common share. The transaction closed on November 6, 2009. In order to support this acquisition, the Company subscribed for \$1.25 million (2.5 million shares) of Stonegate Agricom. The issuance of shares to effect the property purchase led to gain on dilution of \$422 thousand. The Company's interest has been diluted down to 72.45% from 77.25%.

21 Comparative figures

Certain comparative figures have been reclassified to conform with the financial statements presentation adopted in the current period.