Sprott Resource Corp.

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

The following management's discussion and analysis ("MD&A") of the performance, financial condition and future prospects of Sprott Resource Corp. and its subsidiaries (herein referred to as "SRC" or the "Company"). This document should be read in conjunction with the unaudited interim consolidated financial statements for the nine months ended September 30, 2009, including the notes thereon ("Interim Financial Statements"), as well as with the Company's audited consolidated financial statements for the year ended December 31, 2008 (the "Annual Financial Statements") and the related management's discussion and analysis (the "Annual MD&A"). All amounts are expressed in Canadian dollars unless otherwise indicated and prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Further information, including the Company's Annual Information Form ("AIF") for the year ended December 31, 2008, may be accessed at www.sedar.com. This MD&A is dated November 12, 2009.

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", "may", "will", "plans" 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, 2009;

- 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; and

- Subject to applicable laws, the Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

The material assumptions that were applied in making the forward-looking statements in this MD&A include: execution of the Company's existing plans for each of its projects, 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; and execution of the Company's plans to seek out additional investments and business opportunities in the natural resource sector, which are dependent on global economic conditions and upon the prices of commodities and natural resources in which it invests.

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".

Introduction

SRC is a Canadian based company. The primary purpose of the Company is to invest, and operate through its subsidiaries, in the natural resource sector. The Company currently has investments in agriculture, energy, precious metals and other materials. The Company is listed on the Toronto Stock Exchange ("TSX") under the symbol "SCP". See page 8 of the AIF "*Description of the Business*" for additional information.

Waseca Energy Inc. ("Waseca") is involved in the exploration and production of oil and gas in Alberta and Saskatchewan. On October 20, 2009, the Company completed its acquisition of Auriga Energy Inc. ("Auriga"), a Canadian oil and gas company. One Earth Farms Corp. and its operating subsidiaries (collectively "One Earth Farms") were created with the intent of becoming a large, integrated and profitable Canadian corporate farming entity. One Earth Farms will operate primarily on First Nations farmlands in the Prairie Provinces. Stonegate Agricom Ltd. ("Stonegate Agricom"), through its subsidiaries, is developing the Mantaro Phosphate Project in Peru.

The Company increased its gold bullion holdings to 64,783 ounces from 40,475 ounces at June 30, 2009 and at September 30, 2009, held 1,783,013 ounces of silver bullion. SRC also has investments in securities of publicly listed and private companies involved in the natural resource sector.

The balance of the Company's assets is held in cash and cash equivalents and Government of Canada Treasury Bills (T-bills"). The Company's longer-term intention is to invest the cash and short-term investments in the natural resource sector as opportunities arise.

Third Quarter Business Highlights

- The Company's net assets increased by $9.6 million to $294.4 million versus December 31, 2008. The increase is primarily the result of growth in shareholders' equity from the exercise of warrants.

- Waseca Energy's oil revenues (net of royalties) decreased by 7% to $699 thousand from $753 thousand in the second quarter of 2009. Waseca is also focused on identifying and acquiring prospective land and finalizing drilling locations for the fourth quarter drilling program. The Waseca total land position as of the date of this MD&A is 16,274 hectares versus 7,249 as at June 30, 2009. Waseca is also actively evaluating potential opportunities to acquire additional production. Waseca plans to drill up to 11 exploratory wells in the fourth quarter of 2009 and has completed drilling five of these wells to date with early indications showing that four could produce oil.

- One Earth Farms began its crop harvest during the quarter. Approximately 46% of the canola was harvested with 40% of the estimated production committed for delivery under a basis contract. Subsequent to quarter end, One Earth Farms has continued the harvest of the remainder of the canola, barley and wheat.

- On July 30, 2009, Stonegate Agricom released the results of its trenching and drilling program conducted during the second quarter of 2009 (the full press release is available for viewing on SEDAR at *www.sedar.com* and at the Company's website at *www.sprottresource.com*). Additional investigative drilling was conducted during the third quarter and the results are expected to be released in the fourth quarter.

- The Company's investment portfolio grew to $44.1 million as at September 30, 2009 from $28.6 million as at December 31, 2008. Growth was the result of net additional invested capital of $11.3 million and a $4.2 million in unrealized gains in the market value of the portfolio.

- The Company increased its physical holdings of gold bullion to 64,783 ounces from 40,475 ounces at June 30, 2009 and continued to hold 1,783,013 ounces of silver bullion. The aggregate bullion holdings had a fair market value of $100.6 million as at September 30, 2009 versus a cost of $87.9 million (June 30, 2009 cost - $61.9 million). This represents an unrealized gain of $12.7 million as at September 30, 2009. 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.

- On September 28, 2009, the Company announced that it has entered into an agreement to purchase, through Orion Oil and Gas Ltd. ("Orion") (formerly 1491542 Alberta Ltd.) a newly formed subsidiary, 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. The full press releases announcing the agreement to acquire Auriga and the completion of the transaction are available for viewing on SEDAR at *www.sedar.com* and at the Company's website at *www.sprottresource.com*).

Results of Operations

Net assets

	For the three months ended			Change in Net Assets	
Net Assets[1] ($000,000's)	**Sept. 30, 2009**	**Dec. 31, 2008**	**Sept. 30, 2008**	**Prior Year End**	**Prior Year**
Net assets	$294.4	$284.8	$370.8	$9.6	($76.4)
Net assets per share[2]	$3.46	$3.48	$4.26		

(1) Net assets is defined as total assets minus total liabilities.
(2) Net assets per share are calculated using the Company's issued and outstanding common shares. Shares issued and outstanding at September 30, 2009 – 85,159,024; December 31, 2008 – 81,807,229; September 30, 2008 – 86,998,729.

The increase in net assets versus December 31, 2008 was primarily the result of growth in shareholders' equity from the exercise of warrants. Each warrant was exercisable at a price of $2.50 for each common share. The decrease relative to the comparable period in the prior year was the result of the change in value of Accumulated Other Comprehensive Income ("AOCI") related to Company's shares in PBS Coals Limited ("PBS Coals"). The issuance of 3.1 million warrants below the Company's net assets per share was dilutive by approximately $0.04 per share and the decrease in AOCI further decreased the net assets per share by $0.02.

Outstanding common shares have increased to 85,159,024 compared to 82,007,224 as at June 30, 2009 and 81,807,229 at December 31, 2008. The increase in common shares during the quarter is the result of 3,132,800 common share warrants exercised at a strike price of $2.50 per share, 90,000 stock options exercised at a strike price of $1.30 per share and 71,000 common shares repurchased at an average price of $3.01 through the Company's normal course issuer bid ("NCIB"). Subsequent to quarter end, The Company purchased 1.9 million shares through the NCIB at an average cost of $3.91 per share.

Three month and year to date results - revenues

	For the three months ended			For the nine months ended	
Revenue ($000's)	**Sept. 30, 2009**	**Jun. 30, 2009**	**Sept. 30, 2008**	**Sept. 30, 2009**	**Sept. 30, 2008**
Oil & gas revenue, net of royalty	$699	$753	$nil	$1,748	$nil
Farming revenue	$967	$nil	$nil	$967	$nil

The Company's revenues are comprised of Waseca's oil sales, which commenced in the fourth quarter of 2008, and One Earth Farm's crop farming revenues, which commenced in the third quarter of 2009.

During the third quarter of 2009, Waseca recorded $699 thousand in net oil sales ($980 thousand gross revenue and $281 thousand in royalties paid or payable) representing a decrease of $54 thousand (7%) over the quarter ended June 30, 2009 and an increase of $699 thousand over the quarter ended September 30, 2008. Net oil revenue for the nine months ended September 30, 2009 was $1.75 million versus $nil revenue over the nine months ended September 30, 2008. The decrease in net oil revenues versus the second quarter relates to operational issues with two of the producing wells. The wells have been shut in pending further technical evaluation with one well likely to be abandoned.

During the third quarter of 2009, One Earth Farms commenced its crop harvest and committed to deliver 2,580 tonnes of canola using a basis-only contract, which requires the futures portion of the price to be finalized at a subsequent date. Using the futures price at September 30, 2009, the value of these sales represents $967 thousand of revenue. Production costs, which include all costs except for farm leases and general and administrative expenses, for the canola delivered and sold in the third quarter were $817 thousand. Actual values of $1 million for this commitment were determined in the fourth quarter when the futures portion of the contract was booked. Subsequent to quarter end and up to the date of this MD&A, another 3,500 tonnes of canola (95% of the aggregate canola crop) were committed for delivery. As expected by management, One Earth Farms has experienced higher costs per acre during the first year of operations than management expects will be the case in subsequent years. Over time, costs such as contract labour instead of One Earth Farms seasonal and full-time employees, and increased usage of fertilizers and chemicals to improve future yield capability of the soil will be reduced. To date, approximately 46% of the canola acres, 100% of the barley acres and none of the wheat acres have been harvested. While the 2009 crop year is historically late in the regions seeded by One Earth Farms, It is still anticipated that the majority of the crop will be harvested in the fourth quarter. Total sales of canola delivered in the fourth quarter represent $1.6 million of revenue with production costs of $1.3 million.

The Company also earns other income and expenses from interest income, foreign exchange gains/losses and from realized gains/losses in the investment portfolio. See page 5 "*Results of operations, three month and year to date results – other income and expenses*" herein for additional information.

Three month and year to date results – operating expenses

	For the three months ended			For the nine months ended	
Management / Incentive Fees ($000's)	**Sept. 30, 2009**	**Jun. 30, 2009**	**Sept. 30, 2008**	**Sept. 30, 2009**	**Sept. 30, 2008**
Incentive fee	$nil	$nil	17,430	$nil	18,213
Management fee	1,493	1,451	1,259	4,362	2,237
Total Management / Incentive Fees	**$1,493**	**$1,451**	**$18,689**	**$4,362**	**$20,450**

Company expenses in the third quarter of 2009 include management fees of $1.5 million (2008 - $1.3 million) payable to Sprott Consulting Limited Partnership ("SCLP") under the terms of a management services agreement between SCLP and SRC (the "MSA"). The amount recorded for the incentive fee for the third quarter of 2009 is $nil, versus $17.4 million thousand in the third quarter of 2008, as the Company has not earned a pre-tax profit for year to date. The incentive fee earned in 2008 was a result of the realized gains on the PBS Coals investment. Additional information on the MSA can be found on page 8, "Commitments" in this Interim MD&A and page 4 "General Developments of Business" in the AIF.

	For the three months ended			For the nine months ended	
General and Administrative Expenses[1] ("G&A") ($000's)	**Sept. 30, 2009**	**Jun. 30, 2009**	**Sept. 30, 2008**	**Sept. 30, 2009**	**Sept. 30, 2008**
Consulting	$235	$713	$124	$1,187	$190
Depreciation, depletion and amortization	141	199	1	464	5
Directors' fees	31	32	57	97	72
Filing fees, transfer agent and shareholder information	33	33	221	138	328
Office and miscellaneous	928	183	489	1,710	600
Professional fees	349	339	320	1,000	552
Capital tax[2]	$nil	548	$nil	548	$nil
Wages and benefits	500	494	109	1,354	133
Total G&A	**$2,217**	**$2,541**	**$1,321**	**$6,498**	**$1,880**

1. Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current period.
2. In 2008, capital tax was a component of income and capital tax expense. In 2009, capital tax has been reclassified to G&A. The capital tax recorded in for the three-month period ended September 30, 2008 was ($2) and for the nine-month period ended September 30, 2008 was $34 thousand.

For the quarter ended September 30, 2009, G&A, management fees and incentive fees ("Operating Expenses") decreased by $282 thousand (7%) versus the quarter ended June 30, 2009 and $16.3 million (81%) versus the quarter ended September 30, 2008. The primary reason for the year over year decline is related to the $17.4 million incentive fee accrued from the gain on PBS Coals. Operating Expenses for the nine months ended September 30, 2009 was $10.9 million representing a decrease of $11.4 million (51%) over the nine months ended September 30, 2008.

The variance in office and miscellaneous expenses in the quarter relative to the quarter ended June 30, 2009 is primarily related to an increase in exploration expenditures of $319 thousand. Management does not expect exploration expenditures to be as volatile in future quarters. In addition, in the second quarter, $320 thousand was reallocated from office and miscellaneous expenses to consulting expenses.

The consolidation of Waseca and One Earth Farms has been the most significant factor in the increased Operating Expenses, but is not material relative to the incentive fees booked in 2008. Management expects Operating Expenses to continue to grow as Waseca, One Earth Farms and Orion expand operations.

Three month and year to date results – other income and expenses

	For the three months ended			For the nine months ended	
Other Income and Expenses[1] ($000's)	**Sept. 30, 2009**	**Jun. 30, 2009**	**Sept. 30, 2008**	**Sept. 30, 2009**	**Sept. 30, 2008**
Oil and gas operating and exploration expenses	($1,251)	($574)	$nil	($2,194)	$nil
Farm production costs	(817)	$nil	$nil	(817)	$nil
Equity earnings on PBS Coals	$nil	$nil	6,083	$nil	11,164
Equity loss on Stonegate Agricom Ltd.	(367)	(451)	(163)	(1,127)	(163)
Net gain on disposal of investments	869	4,043	74,574	6,099	77,747
Gain on dilution on investments	1	360	11,213	361	11,581
Gain / (loss) on foreign exchange	(169)	(119)	(24)	(180)	(19)
Interest and other income	189	158	454	976	897
Unrealized loss on investments held for trading	(426)	$nil	$nil	(426)	$nil
Other Income/Loss	$nil	6	25	$nil	(9)
Total Other Income and Expenses	**($1,971)**	**$3,423**	**$92,162**	**2,692**	**$101,198**

1. As of the third quarter of 2009, non-controlling interest is no longer a component of other income and expenses. It is now segregated on the consolidated statement of operations and retained earnings.

The net realized gain on the disposal of investments in the period ending September 30, 2009 was $869 thousand versus $74.6 million as at September 30, 2008 primarily from the disposal of shares in PBS Coals.

Interest and other income earned on the Company's surplus cash in the third quarter of 2009 was $265 thousand less than the comparative quarter in 2008. While the Company's cash and cash equivalents and short-term investment balances in 2009 were not materially different from the comparative quarter in 2008, yields were significantly lower, resulting in less interest income earned per dollar invested. In accordance with its stated objectives, SRC's intention is to invest its cash which will, over time, reduce interest income.

Other income was partially offset by the Company's share of Stonegate Agricom's operating losses ($367 thousand) and by the expenses associated with Waseca exploring for oil ($1.3 million). During the three months ended September 30, 2009, Waseca determined that one of its wells drilled in late 2008 was uneconomic to produce and would be abandoned. Drilling costs totaling $454 thousand were expensed to operating and exploration expenses as a dry hole cost.

Management expects that Stonegate Agricom's operations for the remainder of fiscal year 2009 will continue to record equity losses as it continues investigative drilling and engages a leading process engineering firm to study the phosphate material and report on whether the mineralized material will upgrade to >30% concentrate.

Three month and year to date results – net earnings (loss)

	For the three months ended			For the nine months ended	
Net Earnings (Loss) ($000's)	**Sept. 30, 2009**	**Jun. 30, 2009**	**Sept. 30, 2008**	**Sept. 30, 2009**	**Sept. 30, 2008**
Earnings / (loss)	($3,040)	$490	$67,155	($3,721)	$73,838

	For the three months ended			For the nine months ended	
Earnings per Share ("EPS") ($)	**Sept. 30, 2009**	**Jun. 30, 2009**	**Sept. 30, 2008**	**Sept. 30, 2009**	**Sept. 30, 2008**
EPS (basic)	($0.04)	$0.01	$0.76	($0.05)	$1.13
EPS (diluted)	($0.04)	$0.01	$0.75	($0.05)	$1.12

During the quarter ended September 30, 2009, the Company reported a net loss of $3.0 million ($0.04 earnings per basic share) compared to net earnings of $67.2 million ($0.76 gain per basic share) reported in the same period of 2008 and net earnings of $490 thousand ($0.01 gain per basic share) in the second quarter of 2009.

Capital Expenditures and Investments

	As at	
Capital Expenditures & Investments ($000's)	**Sept. 30, 2009**	**Dec. 31, 2008**
Investments (a)	$44,136	$28,564
Investment in Stonegate Agricom (b)	12,004	11,731
Promissory notes receivable	250	150
Property, plant and equipment (c) (d)	8,614	5,399
Mining claims and deferred exploration (e)	521	305
Total Capital Expenditures and Investments	**$65,525**	**$46,149**

	As at				
Investments ($000's)	**Sept. 30, 2009**	**Dec. 31, 2008**	**Change in Market Value ($)**	**Net Capital Invested ($)**	**Total Change in Market Value ($)**
Public Securities	$25,252	$12,383	$4,239	$8,630	$12,869
Private Securities	18,884	16,181	-	2,703	2,703
Total Investments	**$44,136**	**$28,564**	**$4,239**	**$11,333**	**$15,572**

(a) The Company's portfolio investments increased to $44.1 million as at September 30, 2009 versus $28.6 at December 31, 2008. The growth is attributed to an increased market value of $11.3 million and $4.2 million of net capital invested in the public securities portfolio. No additional capital was invested into private company investments.

Private company investments are recorded at cost. If a private company is deemed to suffer an other than temporary decline in value, the impairment is recorded in the statement of operations. In the third quarter of 2009 none of the private company investments were deemed to have become impaired or require an additional impairment provision. For additional information, refer to page 13 "*Financial Instruments, Recognition, Measurement, Disclosure and Presentation.*"

(b) The Company's investment in Stonegate Agricom has decreased by $367 thousand to $12.0 million as a result of the Company's pick up of the equity loss for the period. Subsequent to quarter end, Stonegate Agricom completed a private placement and completed a property acquisition (see page 7 "*Financing Activities*" for additional information).

(c) Waseca utilizes successful efforts accounting for its oil and gas exploration. The two wells shut-in pending further technical review at March 31, 2009 were converted to a high volume lift system in May and June ("HVL #1" and "HVL #2), respectively, were shut-in during the third quarter. Both wells experienced significantly increasing operating costs which made the wells uneconomic to produce. Management has decided to abandon well HVL #2 in the fourth quarter, which resulted in the well costs being written off to oil and gas operating and exploration expense in the third quarter. Management is currently evaluating technical options that would facilitate putting HVL#1 back onto production. In total, three of the four wells drilled as at September 30, 2009 have been classified in the proved property category, including a developmental well drilled on a proved property in the first quarter of 2009 that was later abandoned due to a lack of producible hydrocarbons.

(d) During the third quarter of 2009, One Earth Farms purchased $1.6 million in farming equipment for the fall harvest. The net book value of the farm equipment was $2.0 million at September 30, 2009. Subsequent to quarter end, One Earth Farms committed to purchasing a grain dryer and related storage bins for $150 thousand. Depreciation and amortization of the farm equipment is included in production costs.

(e) Aggregate mining claims and deferred exploration costs incurred by the Company as at September 30, 2009 were $521 thousand versus $305 thousand as at December 31, 2008. These costs were pursuant to an option agreement ("Option Agreement") the Company entered into in 2008 with Altius Resources Inc. ("Altius"). Under the Option Agreement the Company can earn up to a 50.1% interest in the mineral properties owned by Altius in Newfoundland, Canada, which are subject to the Option Agreement. The Company may exercise the option by making the following minimum aggregate expenditures on the properties: (i) by April 30, 2009, $275 thousand; (ii) by April 30, 2010, $650 thousand; and (iii) by April 30, 2011, $1.5 million. The Company has met its April 30, 2009 commitment obligations with Altius.

Summary of Quarterly Results (unaudited)

For the three months ended	Total Revenues ($000's)	Net earnings (loss) ($000's)	Net earnings (loss) per share (basic)	Net earnings (loss) per share (diluted)
Sept. 30, 2009	$1,666	($3,040)	($0.04)	($0.04)
June 30, 2009	753	490	0.01	0.01
Mar. 31, 2009	296	(1,171)	(0.01)	(0.01)
Dec. 31, 2008	38	60,389	0.72	0.72
Sept. 30, 2008	$nil	67,155	0.76	0.75
June 30, 2008	$nil	6,959	0.13	0.11
Mar. 31, 2008	$nil	(276)	(0.01)	(0.01)
Dec. 31, 2007	$nil	1,303	0.03	0.03

Financing Activities

In the third quarter of 2009, 3,132,800 share purchase warrants were exercised at $2.50 for proceeds of $7.8 million, 90,000 stock options were exercised at $1.30 for total proceeds of $117 thousand and 71,000 common shares were repurchased through the Company's normal course issuer bid at $3.01 per share for a total cost of $214 thousand.

During the quarter, Waseca issued 17,334 shares at $0.60 per share for total proceeds of $10 thousand. The issuance had a nominal dilutive impact on the Company's interest in Waseca (September 30, 2009 – 79.14% vs. June 30, 2009 – 79.16 %). During the quarter, the board of directors of Waseca authorized the issuance of 178,000 performance warrants and 89,400 stock options.

Subsequent to quarter end Stonegate Agricom acquired a 100% interest in the Paris Hills Phosphate/Vanadium Property, located in Bear Lake County, Idaho, USA. As consideration for the acquisition, Stonegate will pay $1,000,000 in cash and issue 6,000,000 common shares. In order to help finance the acquisition of the property, the Company subscribed for $1.25 million (2.5 million shares) of Stonegate Agricom. The issuance of the shares for the purchase of property will lead to a gain on dilution in the fourth quarter as the Company's interest will be diluted down to 72.45% from 77.25%.

Liquidity and Capital Resources

	As at	
Current Assets ($000's)	**Sept. 30, 2009**	**Dec. 31, 2008**
Cash and cash equivalents	$67,174	$45,264
Gold and Silver bullion	87,877	61,930
Short-term investments	75,931	158,283
Standing crop inventory	2,159	-
Note receivable (Stonegate Agricom)	-	610
Prepaids and other receivables	5,547	2,050
Total Current Assets	**$238,688**	**$268,137**

	As at	
Current Liabilities ($000's)	**Sept. 30, 2009**	**Dec. 31, 2008**
Accounts payable and accrued liabilities	$3,194	$5,618
Tax payable	230	16,328
Total Current Liabilities	**$3,424**	**$21,946**

As at September 30, 2009, the Company had cash and cash equivalents of $67.2 million, T-bills of $75.9 million and Gold and Silver Bullion of $87.9 million versus December 31, 2008, when the Company had cash and cash equivalents of $45.3 million, T-bills of $158.3 million and gold and silver bullion of $61.9 million.

The Company did not pay or accrue any taxes during the third quarter of 2009 (see page 11" *Income Taxes*" for additional information). Compared to December 31, 2008, there was a corresponding reduction in Current Assets and Current Liabilities by the amount of tax paid pertaining to the fiscal year ended December 31, 2008. The decrease in accounts payable and accrued liabilities from December 31, 2008 is mainly attributable to the payment of incentive fees that were payable to SCLP. Prepaids and other receivables increased to $5.5 million at September 30,

2009 versus $2 million at December 31, 2008. The increase is primarily the result of the Company's $2.5 million GST and other tax receivables. The Company has no debt other than current trade payables.

One Earth Farms standing crop inventory of $2.2 million is comprised of consumables, labour, insurance and other miscellaneous expenditures. Compared to the quarter ended June 30, 2009, the company recorded additions of $591 to the standing crop inventory and booked $817 thousand against the cost of goods sold for canola delivered and sold in the third quarter. Inventories not available for immediate delivery (crops growing in the field) are recorded at the lower of cost and net realizable value. One Earth Farms has subscribed for the maximum levels of crop insurance available from both the Saskatchewan Crop Insurance, a provincial government agency, and three privately obtained hail insurance policies. Management decided to pursue the most conservative approach to insurance in the first year of production. In the future as One Earth Farms increases its scale and geographic diversification, it may make sense for the company to purchase less comprehensive insurance or to self insure.

Working Capital

	As at	
(000's)	**Sept. 30, 2009**	**Dec. 31, 2008**
Total Working Capital	**$235,264**	**$246,189**

Working capital (defined as current assets minus current liabilities) has decreased to $235.2 million from $246.2 million as at Dec. 31, 2008. The decrease in working capital from the period ended December 31, 2008, is attributed to the net purchase of public securities, the purchase of property, plant and equipment and operating losses at One Earth Farms and Waseca. The Company's working capital is adequate to meet its obligations and to fund planned expenditures for at least the next year.

Commitments - Payments Due by Period (as at September 30, 2009)

	Payments Due by Period				
Contractual Obligations ($000's)	**Total**	**Less than 1 year**	**1 – 3 years**	**4 – 5 years**	**After 5 years**
Farm leases (a)	$3,785	$397	$945	$946	$1,497
Operating lease (b)	809	343	420	46	-
Equipment lease	45	10	20	15	
Total Contractual Obligations	$4,639	$750	$1,385	$1,007	$1,497

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.

Transactions with Related Parties

The Company entered into the following transactions with related parties during the period ended September 30, 2009.

	For the three months ended		
Related Party Transactions (000's)	**Sept. 30, 2009**	**Jun. 30, 2009**	**Sept. 30, 2008**
Directors' fees (a)	$31	$32	$nil
Consulting fees – officers (b)	91	174	30
Management and incentive fees (c)	1,493	1,451	18,688
Other expenses (d)	1,554	1,491	18,688
Investments (fair market value) (e)	3,306	4,339	$nil
Other transactions (f)	$134	$33	$nil

(a) During the three months ended September 30, 2009, directors fees of $31 thousand (September 30, 2008 - $nil 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 million 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.

Recent Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. PricewaterhouseCoopers has been engaged by the Company to assist with the diagnostic review. The primary objective of the diagnostic review in the planning phase of the IFRS conversion project is to understand, identify and assess the overall effort required to produce financial information under IFRS.

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 Interest. 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. It provides the Canadian equivalent to IFRS 3, Business Combinations (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The Company will apply CICA Handbook Section 1581 for the acquisition of Auriga and Orion.

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. It is equivalent to the corresponding provisions of IFRS IAS 27, Consolidated and Separate Financial Statements (January 2008).

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 current evaluating the impact of the adoption of these sections.

Critical Accounting Estimates

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

The Company views the following accounting estimates as critical:

Income Tax

The Company applies the asset and liability method of measuring income taxes based on temporary differences between the financial reporting and tax bases of assets and liabilities. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws that are expected to apply when the tax assets or liabilities are to be either settled or realized and are not recognized unless the more likely than not criterion is met.

The determination of the Company's income taxes and other tax liabilities involves the interpretation of complex laws and regulations and the exercise of judgment. The Company's provision for income taxes represents

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

The December 31, 2008 amount relates primarily to the capital gains associated with the disposition of the Company's PBS shares and takes into account $2,800,984 in capital loss carry-forwards.

	For the period ended		
Taxes ($000's)	**Sept. 30, 2009**	**Jun. 30, 2009**	**Dec. 31, 2008**
Capital tax expense (incl. in G&A)[1]	$nil	548	206
Capital tax payable	548	548	206
Income tax payable	$nil	$nil	16,328
Future income tax payable	175	416	535
Future income tax receivable	904	272	$nil

1. The capital tax expense in the first quarter of 2009 is a component of income and capital tax. In the second quarter of 2009, capital tax has been reclassified to G&A.

Oil and Gas Properties

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

Unproved oil and gas properties are periodically assessed for impairment after considering the remaining term of the lease, drilling results, the evaluation of geological data and other information. A loss is recognized at the time of impairment by providing an impairment allowance.

Capitalized costs of producing oil and gas properties, after considering estimated salvage values, are depreciated and depleted over proved developed reserves using the unit of production method while acquired resource properties with proved reserves are depleted over proved reserves using the unit of production method. Acquisition costs of probable reserves are not depleted or amortized while under active evaluation for commercial reserves. Costs are transferred to depletable costs as proved reserves are recognized. The oil and gas reserves have been estimated by independent petroleum engineers as of December 31, 2008.

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

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

Oil and gas properties and equipment increased from $5.4 million at December 31, 2008 ($nil at September 30, 2008) to $6.4 million at September 30, 2009. Subsequent to period end, Waseca spent $7.0 million to acquire an additional 7,913 hectares of land. The Company's total land position as of the date of this MD&A is 16,274 hectares (7,249 hectares at June 30, 2009). Impairment testing was performed on a property by property basis with no write down required.

Mining Claims and Deferred Exploration

Mining claims and deferred exploration expenditures include direct and indirect acquisition and exploration costs associated with specific mineral exploration properties. Depletion of these amounts will be recognized using the unit of production basis at such time as commercial production commences or is charged against operations in the event a property is sold. Capitalized costs relating to abandoned properties will be charged against operations in the period of abandonment. Mineral property option proceeds, if received, are credited against the deferred costs incurred by the Company on the property or properties being optioned.

The Company reviews capitalized costs on its mineral properties and will recognize an impairment in the value based upon current exploration or production results, if any, and upon management's assessment of the future probability of profitable revenues from the property or from sale of the property. If the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset, an impairment loss is recognized and assets are written down to fair value, which is normally determined using the discounted value of future cash flows.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and regulatory requirements.

The Company had $521 thousand in mining claims and deferred exploration assets as at September 30, 2009 versus $305 thousand as at December 31, 2008 and $512 thousand at June 30, 2009. In the fourth quarter of 2008, the Company wrote down $627 thousand in mining claims and deferred exploration relating to its option agreement with Paragon Minerals.

Crop 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.

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.

Stock Based Compensation

The Company has established a stock option plan for the benefit of full-time and part-time employees, officers, directors and consultants of the Company and its affiliates.

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

Waseca has also established a stock option plan for the benefit of employees, officers, directors and consultants of Waseca. In addition, Waseca has also established a performance share plan for the benefit of these same individuals.

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

The non-cash compensation expense relating to the issuance of stock options by the Company and its subsidiaries was $41 thousand for the period ending September 30, 2009 versus $7 thousand for the period ending September 30, 2008.

Asset Retirement Obligations

The Company recognizes the fair value of an asset retirement obligation ("ARO") in the period in which it is incurred when a reasonable estimate of the fair value can be made. The fair value of the estimated ARO is recorded as a long-term liability, and equals the present value of estimated future cash flows, discounted using a risk-free interest rate adjusted for the Company's credit standing. Unwinding of the discount is reported as accretion expense and grouped with depreciation, depletion and amortization on the statements of operations and deficit. The associated asset retirement costs are capitalized as part of the carrying value of the related assets. The capitalized amount is amortized to earnings on a basis consistent with depreciation and depletion of the underlying assets.

On a periodic basis, management will review these estimates and changes if any, and the estimate will be applied on a prospective basis, and will result in an increase or decrease to ARO. Any difference between the actual costs incurred and the recorded liability is recorded as a gain or loss in the statements of operations in the period in which the settlement occurs.

The Company calculated the ARO related to Waseca's 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. The Company's ARO as at September 30, 2009 was $79 thousand.

Revenue Recognition

Revenue from the sale of crude oil is recognized when delivery has taken place and the significant risks and rewards of the crude oil have passed to the buyer and the amount of revenue can be reliably measured. Sales revenue does not include indirect taxes (excise, GST, and royalties) and is stated at the net amount (after discounts and pipeline losses). The Company recorded sales revenue of $699 thousand net of royalties for the three month period ended September 30, 2009**.**

Farming revenue is recognized at the time of delivery and transfer of title net of selling costs. Transfer of title is defined as being fully priced (futures market price and basis). The Company recorded farming revenue of $967 thousand and production costs of $817 thousand for the three month period ended September 30, 2009**.**

Financial Instruments, Recognition, Measurement, Disclosure and Presentation

Under Section 3855, all financial instruments are classified into one of these five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured on the balance sheet date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for-trading financial assets are measured at fair value, with changes in fair value recognized in net earnings (loss). Available-for-sale financial instruments are measured at fair value, with changes in fair value recorded in OCI until the instrument is derecognized or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in net earnings (loss).

Upon adoption of these standards, the Company has designated its cash and cash equivalents, short term investments and warrants held in investments as held-for trading, which are measured at fair value. Note receivable and receivables included in prepaids and other receivables are designated as loans and receivables, which are measured at amortized cost. The Company's investments include public and privately held investments and have been designated as available for sale ("AFS") because the Company intends to hold the investments for more than one year. Unrealized holding gains and losses relating to AFS investments are excluded from net income and included in OCI until such gains or losses are realized or an other than temporary impairment is determined to have occurred. AFS securities are measured at fair value and those which do not have a readily determinable fair value (i.e. a quoted market price in an active market) are carried at historical cost. Publicly held investments including investments are reported at fair value based on quoted market prices with unrealized gains or losses reported as other comprehensive income or loss. Privately held investments are reported at cost. AFS securities are included in the Company's portfolio according to the settlement date. Accounts payable and accrued liabilities are designated as other financial liabilities, which are measured at amortized cost.

Investments the Company intends to hold for more than one year have been designated AFS. During the third quarter of 2009, and the comparable periods ending June 30, 2009 and September 30, 2008, the Company did not recognize an impairment on its private company investments. For additional information, refer to page 6 "*Capital Expenditures and Investments*."

Off-Balance Sheet Arrangements

The Company has not entered into any 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

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.

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 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.

Outstanding Share Data

Authorized Capital:
Common shares, no par value, unlimited shares

Issued and outstanding:
The Company had 96,761,507 common shares issued and outstanding as at November 12, 2009.

Outstanding options, warrants, and convertible securities:

	as at Nov. 12, 2009		
Type of Security	**Number**	**Exercise Price**	**Expiry date**
Share purchase warrants	16,594,284	$4.25	December 31, 2010 [(1)]
Stock options	100,000	$1.75	June 9, 2010
Stock options	75,000	$3.32	August 26, 2013
Stock options	75,000	$2.98	September 1, 2014

(1) Subject to acceleration of the expiry date if the trading price of the Company's common shares equals $6.00 or more for twenty (20) consecutive trading days.

Normal Course Issuer Bid

On August 21 2009, the Company announced a normal course issuer bid (the "NCIB") to repurchase up to 6.25 million of its common shares. This figure is slightly less than 10 percent of the public float as at August 13, 2008 (62,560,214). The total issued and outstanding as at August 13, 2009 was 82,013,224.

The Company received approval from the TSX to commence the bid on August 31, 2009. The NCIB may not extend beyond August 30, 2010. All purchases by the Company under the NCIB have been and will be made under the facilities of the TSX; the purchase and payment for the common shares has been and will be made by the Company in accordance with the requirements of the TSX; the price that the Company will pay for common shares acquired by it has been and will be the market price of the common shares at the time of acquisition; and all purchases have been and will be made by means of open market transactions during the period the NCIB is outstanding.

Pursuant to TSX policies, daily purchases made by the Company may not exceed 89,539 common shares, which is 25% of the six-month average daily trading volume of common shares on the TSX as at August 20, 2009.

The Company initiated the NCIB because it believed that its common shares had been trading in a price range that did not adequately reflect their value in relation to the Company's assets and future prospects. The Company believes that the repurchase for cancellation of its common shares through the NCIB, at appropriate times, can enhance shareholder value and constitutes an attractive investment and an appropriate use of financial resources.

To the knowledge of the Company, no director or officer, no person acting jointly or in concert with the Company and no person holding more than 10 percent or more of the common shares intended to sell common shares during the course of the NCIB at the time the NCIB was announced.

To date, the Company has purchased for cancellation 1.9 million common shares. The average price paid for each common share purchased under the NCIB to date is $3.873 per common share.

Risks and Uncertainties

The Company is faced with a number of risks and uncertainties which could impact its financial performance. The more significant ones are outlined below. In addition to the risks highlighted below, management is faced with a number of other risk factors as detailed in the AIF.

Income Risk

The Company will generate a portion of its income from its equity investments in natural resource companies and from the disposal of such equity investments. In addition, the Company may generate income from dividends received from the equity investments. Natural resource companies are subject to a number of risks including commodity pricing risk, exploration risk, operational risk, environmental risk and regulatory risk. If such companies are not profitable or the value of their shares decline, as a result of company specific issues or market conditions generally, the Company will not be able to generate income and may suffer losses.

Commodity Prices

The profitability of the Company's equity investments, exploration projects and operating subsidiaries will be dependent upon the market price of commodities relevant to the particular equity investment, exploration project or operating subsidiaries. Commodity prices fluctuate widely and are affected by numerous factors beyond the control of the Company.

Private Companies and Illiquid Securities

The Company invests a portion of its assets 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.

Lack of Control over Entities in which the Company Invests

The Company invests a portion of its assets in securities of companies that the Company does not control. These investments will be subject to the risk that the entity in which the investment is made may make business, financial or management decisions with which the Company does not agree or that the majority stakeholders of the management of the entity may take risks or otherwise act in a manner that does not serve the Company's interests. If any of the foregoing were to occur, the values of investments by the Company could decrease and the Company's financial condition and cash flow could suffer as a result.

Lack of Diversification

The Company has only a limited number of investments and exploration projects and, as a result, the performance of the Company may be adversely affected by the unfavourable performance of one investment or exploration project. As well, the Company's investments are concentrated in the natural resource sector. As a result, the Company's performance will be disproportionately subject to adverse developments in this particular sector.

Gold and Silver Bullion

The Company has invested a large portion of its assets in gold and silver bullion. As a result, the price of the Company's holdings in these assets will fluctuate in relation to increases and decreases in the price of gold and silver.

The Company's gold and silver bullion is stored in the vaults of the Bank of Nova Scotia in Toronto. It is segregated and insured. However, there can be no assurance that the insurance carried by the Bank of Nova Scotia will be sufficient to cover all the losses arising out of any loss or damage to the Company's gold and silver bullion held for safekeeping. In addition, insurance is not available for certain risks, including, but not limited to, war, terrorist events, nuclear incident and government confiscations.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

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

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

Management is also responsible that internal controls over financial reporting are designed, or caused to be designed under management's supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. The Company hired an independent accounting firm to determine if any material weaknesses exist in its current internal controls, suggest best practices when they are not being applied and also to test the material controls. No material weaknesses were found from testing performed up to September 30, 2009 and as a result, no changes in the Company's internal control over financial reporting were made during the quarter ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect, management's internal control over financial reporting. The Company has a relatively small accounting and administrative department and as such, adequate segregation of duties can become a control issue.

It should be noted that while the Officers of the Company, as certified in the Company's Interim Filings and as required under National Instrument 52-109 issued by the Canadian Securities Administrators, have evaluated the effectiveness of these disclosure controls and procedures and internal controls over financial reporting for the period ended September 30, 2009 and have concluded that they are being maintained as designed, they do not expect that the disclosure controls and procedures of internal controls over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

Outlook

One Earth Farms began harvesting operations of approximately 13,000 seeded acres during the third quarter of 2009. Management continues to move forward for the scale up of operations in 2010. Cropland lease negotiations are currently underway with 25 First Nations in Saskatchewan, Manitoba and Alberta representing over 100,000 acres of land. Management expects that lease agreements will be signed with a subset of the agreements currently being negotiated. A strategy has been developed to select the optimum land parcels for the second year of operations and beyond, including proximity to existing operations, potential profitability, prior use of the land and a set of rigorous agronomic protocols developed to understand the opportunity of each section of cultivated land. Management has also authored a joint agricultural industry training proposal under the sponsorship of a federal government program to launch a training program for workers. Management is in final negotiations of a limited scale 650 cow/calf ranching operation that would start in the fourth quarter of 2009. The capital outlay, including cattle, feed, lease costs for pasture lands and related equipment and infrastructure, for the ranching venture would be approximately $1.2 million. Management is also negotiating with two additional cow/calf ranching operations. One is on a First Nation where One Earth Farms will place its own livestock. The other is a non-First Nation ranch that will be a significant source of high quality replacement animals for all three ranching operations. The non-First Nation ranch negotiations are expected to close in the fourth quarter and are anticipated to require $4.2 million in capital expenditures. The First Nation ranch would likely also require $265 thousand of capital for equipment and land rentals if the negotiations are successfully concluded in the fourth quarter.

Waseca has amassed a significant land position and is currently completing its fourth quarter drilling program of 11 wells. The company is also amassing significant amounts of seismic data to facilitate future land sale participation and determine future exploratory drilling locations. Waseca continues to actively evaluate potential opportunities to acquire production through the execution of a strategic transaction. The company also continues to monitor upcoming crown land sales for opportunities to increase its land position. Based on current oil prices and market conditions, Waseca expects to continue an active drilling program through 2010.

Stonegate Agricom has purchased the Paris Hills phosphate/vanadium property from RMP Resources Corp., a subsidiary of Rocky Mountain Resources Corp. for consideration of $1-million cash and six million common shares of Stonegate valued at 50 cents per common share. The Paris Hills property gives Stonegate Agricom a second significant property in a complementary jurisdiction.

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

Other Information

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