

Sprott Resource Corp.

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

The following is management's discussion and analysis ("MD&A") of the performance, financial condition and future prospects of Sprott Resource Corp. (herein referred to as "SRC" or the "Company"). This document should be read in conjunction with the unaudited interim consolidated financial statements for the six months ended June 30, 2010, including the notes thereon ("Interim Financial Statements"), as well as with the Company's audited consolidated financial statements for the year ended December 31, 2009 (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" or "CGAAP"). Further information, including the Company's Annual Information Form ("AIF") for the year ended December 31, 2009, may be accessed at www.sedar.com. This MD&A is dated August 10, 2010.

Forward-Looking Statements

This MD&A and, in particular, the "Outlook" section, contains forward-looking statements relating to expected land to be farmed by One Earth Farms (defined below) and expected oil and gas production by Orion and Waseca (each defined below). Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. These forward looking statements are based on current expectations and various estimates, factors and assumptions including: expected oil and gas production results from future drilling by Waseca and Orion; expected rates of production from existing production by Orion and Waseca; oil and gas reserves of Waseca and Orion; and the successful seeding of farmlands by One Earth Farms.

These forward-looking statements involve known and unknown risks, including: general economic, market and business conditions; fluctuations in oil and gas prices; the results of exploration and development drilling and related activities; the uncertainty of reserve estimates; changes in environmental and other regulations; risks associated with oil and gas operations; weather risk associated with farming operations; operational risk associated with farming; and other risks, which are beyond the control of the Company or its subsidiaries.

It is important to note that:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of August 10, 2010;
- 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 and as such 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.

For a description of additional 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" and the "Risk Factors" section of the AIF.

Barrels of Oil Equivalent

Where amounts are expressed in a barrel of oil equivalent ("boe"), or barrel of oil equivalent per day ("boe/d"), natural gas volumes have been converted to barrels of oil equivalent on the basis that 6 thousand cubic feet ("mcf") is equal to one barrel of oil. Use of the terms boe or boe/d may be misleading, particularly if used in isolation. This boe conversion ratio is based on an energy equivalence methodology, and does not represent a value equivalency. Indeed, the energy and value relationships may differ widely with market conditions. The conversion conforms with the Canadian Securities Regulators' National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities.

Introduction

The Company is listed on the Toronto Stock Exchange ("TSX") under the symbol "SCP". See page 4 of the AIF "Company Overview" for additional information.

At June 30, 2010, the Company had three reportable industry segments. A description of the operating companies by industry segment, and the Company's equity ownership position in those businesses, is presented below.

Industry Segment	Companies	SRC Ownership (undiluted)
Corporate and Other ¹	SRC holds investments in natural resource companies and other assets such as cash and cash equivalents, short-term investments, gold bullion and portfolio investments (website: www.sprottresource.com).	n/a
Energy	Orion Oil & Gas Corporation ("Orion") , engaged in the exploration for and development of oil and natural gas interests located primarily in the Kaybob, Redwater and Bigstone areas of Alberta (website: www.orionoilandgas.ca).	78.9%
	Waseca Energy Inc. ("Waseca") , involved in the exploration and production of oil and gas in Alberta and Saskatchewan.	81.3%
	One Earth Oil and Gas Inc. ("One Earth Oil and Gas") , engaged in the development of oil and gas opportunities on First Nations and aboriginal lands.	100%
Agriculture ²	One Earth Farms Corp. and its operating subsidiaries (collectively "One Earth Farms") , created with the intent of becoming a large, integrated corporate farming entity on First Nations farmland (website: www.oneearthfarms.net).	66.7%
	Stonegate Agricom Ltd. ("Stonegate Agricom") , developing the Mantaro Phosphate Project in Peru and the Paris Hills phosphate and vanadium property in Idaho (website: www.stonegateagricom.com).	54.3%

1. Included in Corporate is the parent company, Sprott Resource Corp., and its assets.

2. Stonegate Agricom is accounted for on an equity basis in the Company's unaudited interim financial statements and unless specifically mentioned, is not included in the following tables or discussion.

At June 30, 2009, the Company reported all operations under one industry segment ("Corporate and Other"). To provide additional clarity, Waseca's financial position and results for the quarter ending June 30, 2010 will be presented as part of the Energy segment.

SRC's Business Objective:

The Company invests, and operates through its subsidiaries, in the natural resource sector. The Company currently has operations and / or investments in agriculture, energy, precious metals and other materials. Management of the Company is dedicated to generating superior returns on capital, risk management and real wealth preservation. SRC seeks to accomplish these objectives by acquiring or starting attractive businesses, growing the value of the subsidiaries organically or through accretive acquisitions and by maintaining financial flexibility to be responsive to the needs of its subsidiaries and capitalize on new opportunities.

Acquire or start attractive businesses

The Company did not start or acquire any businesses in the second quarter of 2010. However, management continues to look for opportunities that will be accretive to the Company.

Grow the value of our businesses

SRC has been involved in supporting our subsidiaries. Events in the second quarter of 2010 and subsequent to quarter end highlight that value has been created, specifically:

- in April 2010, Stonegate Agricom closed its initial public offering, including the underwriters' exercise of their over-allotment option, of 51,750,000 units (the "Units") at a price of \$1.00 per Unit for gross proceeds of \$51,750,000 (the "Offering"). Each Unit consists of one common share ("Stonegate Common Share") and one-half of one common share purchase warrant (each whole common share purchase warrant "Stonegate Warrant") of Stonegate Agricom. Each Stonegate Warrant entitles the holder to acquire one Stonegate Common Share at an exercise price of \$1.50 until April 28, 2013. As part of the Offering, the Company subscribed for 12 million Units. A dilution gain of \$12.6 million was recorded in the second quarter of 2010 representing the premium paid by other initial public offering participants over the Company's pre-existing share base.

Maintain financial flexibility

The Company's financial strength is in its unallocated capital and ability to issue common shares in support of accretive acquisitions. Having available capital on hand is an important element in successfully negotiating investment terms. As at June 30, 2010, the Company:

- directly holds cash and cash equivalents and short-term investments of \$9.5 million;
- holds \$36.2 million in cash and cash equivalents and short-term investments in its subsidiaries; and
- continues to hold \$97.4 million (market value) in physical gold bullion and an investment portfolio of \$39.9 million.

Other Business Highlights and Significant Events in the Second Quarter of 2010 and Year to Date

1. Completion of Stonegate Agricom Initial Public Offering

On April 28, 2010, Stonegate Agricom completed its previously announced initial public offering. The common shares trade on the TSX under the symbol "ST" and the warrants trade on the TSX under the symbol "ST.WT".

2. Normal Course Issuer Bid ("NCIB")

On August 31, 2009, the Company received approval from the TSX to begin a Normal Course Issuer Bid ("NCIB") to repurchase and cancel up to 6.25 million common shares. During the second quarter of 2010, the Company purchased and canceled 70 thousand common shares under the NCIB at an average cost of \$4.49 per share for a total cost of \$315 thousand. The Company believes that it is in the best interest of its shareholders to purchase shares for cancellation when management believes they are trading at a significant discount relative to their value.

3. Investment Portfolio

The Company's investment portfolio remained relatively constant at \$39.9 million as at June 30, 2010 versus \$41.0 million as at March 31, 2010. The distribution of securities changed significantly during the second quarter as the Company made additional investments of \$5.3 million in the Union Agriculture Group ("UAG"), a private farming operation based in Uruguay, South America which was offset by realized profits in one investment and unrealized mark to market losses in the public securities. To date, the Company has invested \$28.7 million in UAG and holds 14.7% of UAG's issued and outstanding common shares.

Industry and Economic Factors

Variability of financial results

The consolidated operating results of the Company will vary significantly from year to year. Key factors in this variability include: significant acquisitions and dispositions; performance of stock markets, the economic environment and commodity cycles; and the actual business operations of the Company's subsidiaries and equity investments.

Cyclical nature of commodities

Commodity markets are highly cyclical in nature. SRC seeks to invest capital when markets are trading at or near cyclical lows to reduce the investment risk and help separate the well-run companies from their competitors. Management's investment approach is driven by an assessment of global economic trends as they relate to various natural resource sectors. Individual commodity markets are diligently investigated to assess short and long-term supply/demand characteristics to determine where and when to allocate capital. This process allows management to seek out specific investments that will benefit the most from favourable trends.

Results of Operations

Revenues

Consolidated	For the Three Months Ended			For the Six Months Ended	
	June 30, 2010	June 30, 2009	\$ Change	June 30, 2010	June 30, 2009
Revenues (\$000's)					
Energy (net of royalty)	\$18,846	\$753	\$18,093	\$33,982	\$1,049
Agriculture	1,923	-	1,923	2,302	-
Consolidated Revenues	\$20,769	\$753	\$20,016	\$36,284	\$1,049

Energy	For the Three Months Ended			For the Six Months Ended	
	June 30, 2010	June 30, 2009	\$ Change	June 30, 2010	June 30, 2009
Net Revenues (\$000's)					
Orion	\$16,721	-	\$16,721	\$29,837	-
Waseca	2,125	753	1,372	4,145	1,049
One Earth Oil and Gas	-	-	-	-	-
Energy Net Revenues	\$18,846	\$753	\$18,093	\$33,982	\$1,049

Orion and Waseca comprise the Company's energy segment revenues and the agriculture segment revenues are comprised of One Earth Farms' operations. One Earth Farms earns revenue through crop sales, custom farming operations of third party owned private land and through the sale of livestock.

During the second quarter of 2010, Waseca recorded \$2.1 million in net oil sales (\$2.7 million gross revenue and \$557 thousand in royalties) representing an increase of \$1.4 million over the quarter ended June 30, 2009. The growth in Waseca's oil revenues is related to the new wells drilled in 2009 and 2010. Waseca's four well drilling program executed in the second quarter resulted in three wells being cased and put into production, and one dry hole that was abandoned during the period. The three cased wells were put into production at the very end of the second quarter with nominal production and no oil sold. All associated costs of the dry hole that was abandoned were expensed during the period. As at June 30, 2010, Waseca's average rate of production was 531 barrels of oil per day ("bbl/d").

Orion recorded \$16.7 million in net oil and gas revenue (\$18.9 million gross revenue and \$2.2 million in royalties). As at June 30, 2010, Orion's exit rate of production was approximately 4,500 boe/d.

For the period ended June 30, 2010, One Earth Farms recorded \$816 thousand of revenue through its custom farming operation, \$1.1 million through the sale of livestock and \$7 thousand through the delivery and sale of the remaining wheat in inventory from 2009 operations. One Earth Farms will be farming approximately 59 thousand acres of cropland and 3 thousand acres of hay and custom farming 8 thousand acres of cropland for a private land owner in Saskatchewan. One Earth Farms has also launched a pilot ranching operation by acquiring and merging two ranching operations with a total of 1,900 cattle. The cattle herd is maintained on 23 thousand acres of pasture land under lease by One Earth Farms.

Other income and expenses

Other income and expenses are recorded from the day to day operations and extraordinary gains and losses of the Company and each subsidiary during the period.

A summary of the consolidated other income and expenses is as follows.

Consolidated(\$000's)	For the Three Months Ended			For the Six Months Ended	
	June 30, 2010	June 30, 2009	\$ Change	June 30, 2010	June 30, 2009
Other Income and (Expenses)					
General and administrative expenses	(10,682)	(2,541)	(8,141)	(17,809)	(4,281)
Management fees	(1,541)	(1,451)	(90)	(3,051)	(2,869)
Oil and gas operating and exploration	(13,990)	(574)	(13,416)	(24,551)	(943)
Farm production costs	(1,537)	-	(2,387)	(2,102)	-
Interest on long term debt	(246)	-	(246)	(439)	-
Gains on disposal of investments	914	4,043	(3,129)	1,097	5,230
Gain on dilution from investments	12,623	360	12,263	12,332	360
Foreign exchange gain (loss)	(20)	(119)	99	(42)	(11)
Interest and other income	29	164	(135)	46	792
Gain on other financial instruments – realized	241	-	241	61	-
Gain on other financial instruments – unrealized	1,478	-	1,478	332	-
Unrealized loss on investments held for trading	(337)	-	(337)	(418)	-
Total Other Income and Expenses	(\$13,068)	(\$118)	(\$12,950)	(\$34,544)	(\$1,722)

Operating expenses – general and administrative expenses (“G&A”)

Consolidated	For the Three Months Ended			For the Six Months Ended	
	June 30, 2010	June 30, 2009	\$ Change	June 30, 2010	June 30, 2009
G&A¹ (\$000's)					
Corporate and Other	(\$1,270)	(\$908)	(\$362)	(2,048)	(2,143)
Energy	(5,494)	(455)	(5,039)	(9,825)	(965)
Agriculture	(3,918)	(1,178)	(2,740)	(5,936)	(1,173)
Consolidated G&A	(\$10,682)	(\$2,541)	(\$8,141)	(17,809)	(\$4,281)

1. Included in G&A are expenses related to consulting; directors' fees; filing fees; transfer agent and shareholder costs; office; professional fees; capital tax; wages and benefits; and miscellaneous expenses.

For the quarter ended June 30, 2010, G&A increased by \$8.1 million versus the quarter ended June 30, 2009. The most significant factor in the increased G&A balances is the continued growth of Waseca and One Earth Farms. Orion is also incurring significant G&A in relation to its ongoing acquisition efforts.

Energy	For the Three Months Ended			For the Six Months Ended	
	June 30, 2010	June 30, 2009	\$ Change	June 30, 2010	June 30, 2009
G&A (\$000's)					
Orion	(\$4,640)	-	(\$4,640)	(\$8,045)	-
Waseca	(518)	(455)	(63)	(1,157)	(965)
One Earth Oil and Gas	(336)	-	(336)	(623)	-
Energy G&A	(\$5,494)	(\$455)	(\$5,039)	(\$9,825)	(\$965)

Management expects Operating Expenses to continue to grow as Waseca, One Earth Farms and Orion expand operations.

Energy G&A includes significant charges related to stock based compensation. A breakdown is as follows.

Energy G&A – Stock Based Compensation (\$000's)	For the Three Months Ended			For the Six Months Ended	
	June 30, 2010	June 30, 2009	\$ Change	June 30, 2010	June 30, 2009
Orion	(\$1,434)	-	(\$1,434)	(\$2,486)	-
Waseca	(34)	(17)	(17)	(67)	(33)
Energy G&A – Stock Based Compensation	(\$1,468)	(\$17)	(\$1,451)	(\$2,553)	(\$33)

Orion awarded 20.3 million performance warrants to certain employees, of which 11.6 million warrants vested immediately while the remaining warrants vest based on certain conditions. The exercise period of the performance warrants is five years from the date of issue. The weighted average estimated fair value of the performance warrants granted was \$0.303 per warrant, determined using the Black-Scholes option pricing model. Orion has also awarded 14.3 million stock options to directors, officers, employees and consultants. The exercise period of the stock options has been set at five years. Stock options are measured at their fair value on the date of the grant using a Black-Scholes option pricing model, and the resulting stock-based compensation expense is recognized on a graded-vesting basis over the related vesting period. Orion recorded stock-based compensation expense of \$1.4 million and \$2.5 million for the three and six months ended June 30, 2010 respectively (for the three month period ended December 31, 2009 – \$3.5 million).

Waseca has an option plan and a performance warrant plan. Waseca awarded 10.2 million performance warrants and as at June 30, 2010 none of the conditions to vest the performance shares had occurred and therefore the fair value of the performance shares has not been recognized in the financial statements. Waseca has awarded 5.1 million stock options, of which 848 thousand options have vested. A stock-based compensation expense of \$34 thousand for options granted under the option plan was charged to operations.

Operating expenses – management and incentive fees

Management / Incentive Fees ("Fees") (\$000's)	For the Three Months Ended			For the Six Months Ended	
	June 30, 2010	June 30, 2009	\$ Change	June 30, 2010	June 30, 2009
Management fee	(1,541)	(1,451)	(90)	(3,051)	(2,869)
Total Management / Incentive Fees	(\$1,541)	(\$1,451)	(\$90)	(\$3,051)	(\$2,869)

Company expenses in the quarter ended June 30, 2010 include management fees of \$1.5 million (2009 - \$1.4 million) payable to Sprott Consulting Limited Partnership ("SCLP") under the terms of a management services agreement between SCLP and SRC (the "MSA"). The increase in the management fee is due to growth in the Company's net assets, on which the management fee is based. The amount recorded for the incentive fee in the second quarters of 2010 and 2009 is \$nil, as the Company did not earn a pre-tax profit in either period. Additional information on the MSA can be found in the section related to "Commitments" in this MD&A and page 8 "General Developments of Business" in the AIF.

On December 22, 2009, One Earth Farms entered into a management services agreement with SCLP (the "OEF MSA") and the Company entered into a fee abatement agreement ("Fee Abatement") with SCLP to eliminate double payment of management fees on the Company's investment in One Earth Farms. As a result of the Fee Abatement, the OEF MSA has no impact on the Company's financial statements.

Other income and expenses

Other income and expenses, excluding management fees and G&A, will be described below by industry segment, except for oil and gas production costs, where it is appropriate to provide the breakdown by company.

Corporate and Other			For the Three Months Ended			For the Six Months Ended		
Other Income and Expenses (\$000's)			June 30, 2010	June 30, 2009	\$ Change	June 30, 2010	June 30, 2009	
Net realized gain on disposal of investments			\$914	\$4,043	(\$3,129)	\$1,097	\$5,230	
Gain on dilution from investments			12,623	360	12,263	12,332	360	
Gain / (loss) on foreign exchange			(20)	(119)	99	(42)	(11)	
Interest and other income			10	141	(131)	16	702	
Unrealized loss on investments held for trading			(337)	-	(337)	(418)	-	
Total	Other	Income and Expenses	\$13,190	\$4,425	\$8,765	\$12,985	\$6,281	

The Company recorded a dilution gain of \$12.6 million (2009 - \$360 thousand) in the second quarter of 2010 due to Stonegate Agricom's initial public offering, which was partially offset by the \$291 thousand dilution loss recorded in the first quarter of 2010 from Orion's reverse takeover Wintrayson Capital Corp.

The net realized gain on the disposal of investments for the three and six month periods of 2010 were \$914 thousand and \$1.1 million (2009: gain of \$4 million and \$5.2 million, respectively) through the sale of portfolio investments.

In 2010, the Company recorded an unrealized loss of \$337 thousand on held for trading investments for the three month period and \$418 thousand year-to-date. The loss relates to the change in market value of public issuer and private issuer warrants held in the Company's portfolio investment account. The loss on held for trading investments was eliminated by the net realized and unrealized gain from derivative instruments of \$1.7 million (see table below "*Energy - Other Income and Expenses*" for additional information). The Company recorded a consolidated gain of \$1.4 million on held for trading investments.

In 2010, interest and other income was recorded in both the Corporate and Other and Energy segments. The Company's consolidated interest and other income for the three and six month periods was \$29 thousand and \$46 thousand respectively (2009 - \$164 thousand and \$792 thousand). The year over year decline in interest and other income is a result of smaller cash balances and lower yields earned on investments.

Energy			For the Three Months Ended			For the Six Months Ended		
Other Income and Expenses (\$000's)			June 30, 2010	June 30, 2009	\$ Change	June 30, 2010	June 30, 2009	
Oil and gas operating and exploration expenses			(13,986)	(574)	(13,412)	(24,551)	(943)	
Interest and bank charges			(246)	-	(246)	(439)	-	
Interest and other income			17	23	(6)	29	90	
Gain on other financial instruments - realized			241	-	241	61	-	
Gain on other financial instruments - unrealized			1,478	-	1,478	332	-	
Energy	Other	Income and Expenses	(\$12,496)	(\$551)	(\$11,945)	(\$24,568)	(\$853)	

Oil and gas operating and exploration expenses have increased over the prior year as both Waseca and Orion grew their operations by undertaking extensive drilling programs in 2010.

Orion may enter into derivative financial instruments to manage fluctuations in oil and gas market prices. Orion has entered into a number of derivative financial contracts with investment grade counter-parties to manage fluctuations in commodity prices. Orion's hedge arrangements are not held for trading purposes. Realized gains (June 30, 2010 - \$241 thousand) and unrealized gains (June 30, 2010 - \$1.5 million) on commodity derivatives have been recognized in the current period.

As at June 30, 2010, Orion had drawn down \$21.2 million on its \$50 million revolving term credit facility ("Credit Facility"). An expense of \$246 thousand (March 31, 2010 - \$193 thousand) relates to the interest and bank charges on the Credit Facility. On July 5, 2010, Orion increased its revolving term credit facility with its incumbent lender, a Canadian chartered bank, to \$60 million from \$50 million as at June 30, 2010.

The following is a breakdown of the oil and gas operating and production expenses by subsidiary.

Energy	For the Three Months Ended			For the Six Months Ended	
Oil and gas operating and exploration expenses (\$000's)	June 30, 2010	June 30, 2009	\$ Change	June 30, 2010	June 30, 2009
Orion	(11,784)	-	(\$11,784)	(19,907)	-
Waseca	(1,656)	(574)	(1,082)	(4,517)	(943)
Energy Oil and gas operating and exploration expenses	(\$13,440)	(\$574)	(\$12,866)	(\$24,424)	(\$943)

Operating costs consist of processing the extracted natural gas, fuel, power and utilities associated with the field facilities; costs associated with the contracted field operators; and protecting the well casing and tubing in the gathering systems. Exploration costs consist of seismic acquisition and interpretation, geological and geophysical consulting, mineral lease rentals on unproved properties and costs related to wells that are abandoned and expensed as dry hole costs.

Waseca's dry hole costs for the three month and six month period ending June 30, 2010 are \$149 thousand and \$566 thousand respectively.

Depreciation, depletion, amortization and accretion expenses directly related to field equipment and production are also included in oil and gas operating and production costs.

Energy Segment	For the Three Months Ended			For the Six Months Ended	
Depreciation, Depletion, Amortization and Accretion (\$000's)	June 30, 2010	June 30, 2009	\$ Change	June 30, 2010	June 30, 2009
Orion	(\$6,526)	-	(\$6,526)	(\$11,178)	-
Waseca	(296)	(179)	(117)	(472)	(291)
Energy G&A – Depreciation, Depletion and Amortization	(\$6,822)	(\$179)	(\$6,643)	(\$11,650)	(\$291)

The equity loss on the investment in Stonegate Agricom is not included in other income and expenses, but impacts the Company's financial results. Stonegate Agricom's equity loss was primarily due to stock based compensation expense during the period.

Corporate and Other	For the Three Months Ended			For the Six Months Ended	
Equity Earnings (Loss) (\$000's)	June 30, 2010	June 30, 2009	\$ Change	June 30, 2010	June 30, 2009
Equity loss on Stonegate Agricom Ltd.	(\$2,296)	(\$451)	(\$1,845)	(\$2,707)	(\$756)

Non-controlling interest

Non-controlling interest represents the interests of shareholders other than the Company in the subsidiaries' operating earnings or losses. The \$1.3 million and \$2.3 million change for three and six month periods respectively (2009: \$206 thousand and \$477 thousand) in non-controlling interest in the consolidated statements of operations and retained earnings is related to the share of the interests of these shareholders' net losses in Orion, Waseca, One Earth Oil & Gas and One Earth Farms.

Net earnings (loss)

Consolidated			For the Three Months Ended			For the Six Months Ended		
Net Earnings (Loss) (\$000's)			June 30, 2010	June 30, 2009	\$ Change	June 30, 2010	June 30, 2009	
Corporate and Other			\$8,492	\$2,100	\$6,392	\$6,932	\$1,558	
Energy			(511)	(432)	(79)	(2,296)	(1,061)	
Agriculture			(3,682)	(1,178)	(2,504)	(6,073)	(1,178)	
Consolidated	Net	Earnings	\$4,299	\$490	\$3,809	(\$1,447)	(\$681)	
(Loss)								

Energy			For the Three Months Ended			For the Six Months Ended		
Net Earnings (Loss) (\$000's)			June 30, 2010	June 30, 2009	\$ Change	June 30, 2010	June 30, 2009	
Orion			(\$99)	-	(\$99)	(\$145)	-	
Waseca			(77)	(432)	355	(1,529)	(1,061)	
One Earth Oil and Gas			(335)	-	(335)	(622)	-	
Consolidated	Net	Earnings	(\$511)	(\$432)	(\$79)	(\$2,296)	(\$1,061)	
(Loss)								

Outstanding common shares have increased to 96,251,427 compared to 96,191,427 as at December 31, 2009. The increase in common shares during the period is the result of 100,000 stock options exercised at a strike price of \$1.75 per common share and 30,000 common share warrants exercised at a strike price of \$4.25 per common share. The increase was partially offset by 70,000 common shares repurchased through the Company's NCIB at an average price of \$4.49 per common share (including commissions).

Consolidated			For the Three Months Ended			For the Six Months Ended		
Earnings per Share ("EPS") (\$)			June 30, 2010	June 30, 2009	\$ Change	June 30, 2010	June 30, 2009	
EPS (basic)			\$0.04	\$0.01	(\$0.03)	(\$0.02)	(\$0.01)	
EPS (diluted)			\$0.04	\$0.01	(\$0.03)	(\$0.01)	(\$0.01)	

Note: Using the Treasury Method for the purposes of calculation earnings per share, the Company had 96,182,746 weighted average common shares issued and outstanding and 96,301,404 common shares fully diluted for the three month period and had 96,188,057 weighted average common shares issued and outstanding and 96,486,682 common shares fully diluted for the six month period

For the quarter ended June 30, 2010, the Company reported a net gain of \$7.2 million (\$0.08 gain per share – basic and diluted) compared to a net gain of \$490 thousand (\$0.01 gain per share – basic and diluted) reported in 2009.

Consolidated Long-term Assets and Investments

Long-term Assets & Investments (\$000's)	As at		
	June 30, 2010	Dec. 31, 2009	\$ Change
Investments (a)	\$39,938	\$33,750	\$6,188
Investment in Stonegate Agricom (b)	36,047	14,069	21,978
Promissory notes receivable	150	150	-
Property, plant and equipment ("PP&E") (c) (d)	178,294	148,589	29,705
Long term livestock inventory	2,607	586	2,021
Future income tax assets	11,866	13,495	(1,629)
Consolidated Capital Expenditures and Investments	\$268,902	\$210,639	\$58,263

Investments (\$000's)	As at				
	June 30, 2010	Dec. 31, 2009	Change in Market Value (\$)	Net Capital Invested (\$)	Total Change in Market Value (\$)
Public Securities	\$10,695	\$18,367	(\$6,406)	(\$1,266)	(\$7,672)
Private Securities	29,243	15,383	-	13,860	13,860
Total Investments	\$39,938	\$33,750	(\$6,406)	\$12,594	\$6,188

The breakdown of PP&E by industry segment is as follows.

Consolidated PP&E (\$000's)	As at		
	June 30, 2010	Dec. 31, 2009	\$ Change
Corporate and Other	\$5	\$14	(\$9)
Energy	164,176	146,588	17,588
Agriculture	14,113	1,987	12,126
Total PP&E	\$178,294	\$148,589	\$29,705

- (a) The Company's portfolio investments increased to \$39.9 million as at June 30, 2010 versus \$33.8 million at December 31, 2009. The growth is attributed to additional invested capital of \$12.6 million, which was partially offset by an unrealized loss on public securities of \$6.4 million. During the six month period, the Company has invested an additional \$13.9 million into the Union Agriculture Group (UAG). The Company's private investments are predominantly held in UAG shares.

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 second quarter of 2010 none of the private company investments were deemed to have become impaired or require an additional impairment provision. For additional information, refer to "Financial Instruments, Recognition, Measurement, Disclosure and Presentation."

- (b) As at June 30, 2010, the Company's investment in Stonegate Agricom has increased by \$22 million. The increase is due to the Company's \$12 million investment in the IPO and a \$12.6 million gain on dilution as a result of the IPO, which was partially offset by a \$2.3 million share of Stonegate Agricom's loss.
- (c) PP&E increased significantly in the energy segment. The increase is primarily the result of the winter drilling programs at Orion and Waseca during the quarter. Depreciation, depletion and amortization of the energy PP&E is included as part of oil and gas operating and production costs. Waseca added to its land position, acquiring two parcels in April and a further two parcels in June. Waseca's total land position as of the date of this MD&A is 17,389 hectares (16,599 hectares at March 31, 2010).
- (d) During the second quarter of 2010, One Earth Farms purchased \$7.2 million of farming equipment (net of depreciation and amortization) for the current year's operations. Depreciation and amortization of the farm equipment is included as part of production costs.

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)
June 30, 2010	\$20,768	\$4,299	\$0.04	\$0.04
Mar. 31, 2010	15,515	(5,746)	(0.06)	(0.06)
Dec. 31, 2009	9,891	740	0.01	0.01
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	-	67,155	0.76	0.75

Financing activities by company

Consolidated long-term debt, with no recourse to SRC

It has been the Company's policy to preserve a financially strong parent company that has the funds available to support the growth of existing operating companies and make new investments. This means that it is the responsibility of the individual operating companies to support their own debt without any recourse to SRC or the other operating companies. Currently only Orion and Waseca have long-term debt.

SRC

During the second quarter of 2010, 100,000 stock options were exercised at \$1.75 for proceeds of \$175 thousand, 10,000 share purchase warrants were exercised at \$4.25 for proceeds of \$42.5 thousand and the Company repurchased 70 thousand common shares through the NCIB at an average cost of \$4.49 per share for a total cost of \$314 thousand.

Waseca

Waseca did not issue any shares, nor stock options or performance warrants during the second quarter of 2010.

Orion

As at June 30, 2010, Orion had a cash balance of \$602 thousand and accounts receivable of \$14.1 million, had drawn \$21.2 million of the Credit Facility, and had working capital of \$8.8 million. The first revolving period of Orion's Credit Facility will end on December 8, 2010, and if the revolving term credit facility is not renewed, it will convert to a 365 day term loan. Amounts drawn under the Credit Facility can take the form of Canadian and US prime rate based loans, bankers' acceptances, LIBOR loans or letters of credit. The Credit Facility will bear interest at the prime rate, bankers' acceptance rate or at LIBOR plus a spread above the reference rate between 1.50 percent and 5.25 percent per annum based on debt to EBITDA ratio. This facility is collateralized by a first priority security interest on all present and after acquired property of Orion. Orion is compliant with all of its bank loan covenants. Orion's effective interest for the period ended June 30, 2010 was 4.25%. Subsequent to quarter end, Orion increased its revolving term credit facility to \$60 million from \$50 million.

Orion's objectives when managing its capital structure are to maintain financial flexibility in order to meet financial obligations, as well as to finance future growth through capital expenditures relating to development and acquisition activities. Orion will typically utilize three sources of funding to finance its capital expenditure program, internally generated cash flow from operations; debt where deemed appropriate; and new equity issues if required for major acquisitions and further acceleration of the appraisal and development activities.

Stonegate Agricom

As disclosed above ("*SRC Business Objectives*"), the Company subscribed for \$12 million of Units in Stonegate Agricom's \$51.8 million initial public offering (including the underwriters' over-allotment option) which occurred subsequent to quarter end.

Liquidity and Capital Resources

Consolidated	As at		
	June 30, 2010	Dec. 31, 2009	\$ Change
Current Assets (\$000's)			
Corporate and Other	\$84,934	\$132,174	(\$47,242)
Energy	48,172	28,367	19,805
Agriculture	19,133	37,422	(18,289)
Total Current Assets	\$152,239	\$197,963	(\$45,726)

Consolidated	As at		
Current Assets (\$000's)	June 30, 2010	Dec. 31, 2009	\$ Change
Cash and cash equivalents	\$45,737	\$107,085	(61,348)
Accounts receivable	16,659	7,500	9,159
Derivative financial instrument	4,640	1,210	3,430
Gold bullion	75,392	75,392	-
Crop and livestock inventory	5,679	1,256	4,423
Prepays and other receivables	4,132	5,520	(1,388)
Total Current Assets	\$152,239	\$197,963	(\$45,724)

Corporate and Other	As at		
Current Assets (\$000's)	June 30, 2010	Dec. 31, 2009	\$ Change
Cash and cash equivalents	\$9,505	\$56,169	(\$46,664)
Gold bullion	75,392	75,392	-
Prepays and other receivables	37	613	(576)
Current Assets	\$84,934	\$132,174	(\$47,240)

As at June 30, 2010, the Company had cash and cash equivalents of \$9.5 million versus December 31, 2009, when the Company had cash and cash equivalents of \$56.2 million. The decrease in cash is primarily the result of investing \$17.2 million into the Waseca rights offering in the first quarter, \$13.9 million into UAG and \$12 million into Stonegate Agricom's IPO. The Company records the value of its gold bullion at the lower of cost and market. As at June 30, 2010, the gold bullion had a market value of \$97.4 million (Dec. 31, 2009 - \$84.8 million) versus a cost of \$75.4 million.

Orion's commodity price hedging instruments are derivatives and are recorded at their fair value using quoted market prices and are classified as level 2 in the fair value hierarchy. The fair value at June 30, 2010 was \$4.6 million versus \$1.2 million at December 31, 2009.

One Earth Farms inventory is comprised of \$678 thousand of crop production inputs for the 2010 farming season, \$4.7 million of standing crop inventory (crops growing in the field) and \$281 thousand of livestock and consumables. Standing crop inventories not available for immediate delivery are recorded at the lower of cost and net realizable value.

Cash and cash equivalents broken down by industry segment are as follows:

Consolidated	As at		
Cash and Cash Equivalents (\$000's)	June 30, 2010	Dec. 31, 2009	\$ Change
Corporate and Other	\$9,505	\$56,169	(\$46,664)
Energy	26,092	16,999	9,093
Agriculture	10,140	33,917	(23,777)
Cash and Cash Equivalents	\$45,737	\$107,085	(\$61,348)

Consolidated	As at		
Current Liabilities (\$000's)	June 30, 2010	Dec. 31, 2009	\$ Change
Accounts payable and accrued liabilities	\$17,038	\$21,678	(\$4,640)
Tax payable	77	252	(175)
Total Current Liabilities	\$17,115	\$21,930	(\$4,815)

The Company accrued \$77 thousand in capital tax during the second quarter of 2010 (2009: \$252 thousand).

Consolidated Working Capital

	As at		
(000's)	June 30, 2010	Dec. 31, 2009	\$ Change
Total Working Capital	\$135,124	\$176,033	(\$40,908)

Working capital (defined as current assets minus current liabilities) has decreased to \$135.1 million from \$176.0 million as at Dec. 31, 2009. The decrease in working capital compared to the year-ended December 31, 2009, is attributed to the net purchase of private securities, further investments in subsidiaries, the purchase of long-term assets and operating losses at the Company and its subsidiaries.

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

Contractual Obligations (\$000's)	Payments Due by Period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Farm leases (a)	\$12,773	\$2,047	\$7,421	\$963	\$2,342
Operating leases (b)	757	77	462	218	-
Equipment leases	295	-	295	-	-
Equipment expenditures (c)	150	150	-	-	-
Total Contractual Obligations	\$13,975	\$2,274	\$5,354	\$2,174	\$2,048

- a. Farm leases encompass contractual agreements with First Nations regarding the rental of cultivated land for growing crops and the farming of haylands. The remaining term of the lease agreements ranges between 3.50 years to 8.5 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 a 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 in 2010 and \$292 thousand for 2011.

Orion has entered into two operating leases for office space that both expire in 2010. The first lease expires on October 31, 2010 with an estimated rental obligation of \$108 thousand for the 10-month period. The second lease expires on November 31, 2010 and has estimated rental obligation of \$238 thousand for the 11-month period. Subsequent to quarter end, Orion signed a premises lease to replace the two expiring leases. The new premises lease commences August 1, 2010 for five years and has an estimated annual cost of \$845 thousand.

One Earth Farms has entered into operating leases to lease office space in Saskatoon, Saskatchewan and in Calgary, Alberta. During the quarter, One Earth Farms signed a new premises lease in Saskatoon to accommodate its projected growth over the next five years. The new lease expires on June 1, 2015. The estimated aggregate annual rent obligations are \$90 thousand in 2010, \$154 thousand in 2011 through to 2014 and \$64 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. No amount has been included in the above commitments schedule for fees payable under this agreement.

- d. On December 22, 2009, One Earth Farms entered into the Management Services Agreement (“OEF MSA”) with SCLP, an entity with directors and management in common. Pursuant to the terms of the OEF MSA, SCLP was appointed by the Company to manage, or engage others to manage, the undertaking and affairs of One Earth Farms. In consideration for providing these services, One Earth Farms agreed to pay SCLP a services fee equal to 0.5% of the net asset value (as defined in the OEF MSA) of One Earth Farms calculated and payable at the end of each calendar quarter based on the average quarter-end net asset value of One Earth Farms. One Earth Farms may also pay a performance fee and termination fee for realizing a liquidity event (as defined in the OEF MSA) within five years of the date of the agreement. As a result of the Fee Abatement, the OEF MSA currently has no impact on the Company’s financial statements. As such, no amount has been included in the above commitments schedule for fees payable under this agreement.

Transactions with Related Parties

The Company entered into the following transactions with related parties during the period ended June 30, 2010.

Consolidated Related Party Transactions (\$000's)	For the Three Months Ended	
	June 30, 2010	June 30, 2009
Management and incentive fees (a)	\$1,541	\$1,1451
Accounts payable and accrued liabilities (b)	31	\$1,500
Investments (fair market value) (c)	\$1,500	\$4,300
Other transactions (d) (e)	\$7,193	\$32

- (a) During the second quarter of 2010, management fees of \$1.5 million (2009 - \$1.5 million) were incurred, which are payable to SCLP, an entity with directors and officers in common.
- (b) Included in accounts payable and accrued liabilities as at June 30, 2010 was \$31 thousand (2009 - \$1.5 million) payable to SCLP for management fees and \$31 thousand related to directors’ fees. These amounts are non-interest bearing and have no specific terms of repayment.
- (c) The Company purchased shares in Tournigan Energy Ltd (“Tournigan”) from an investment fund managed by the Chairman of the Company. As at June 30, 2010 the shares in Tournigan had a fair market value of \$1.5 million (2009 - \$4.3 million). The price paid for such shares was \$3.0 million or \$0.22 per share.
- (d) An officer of One Earth Farms is also a director of Viterra Inc. (“Viterra”) and the Company expects to continue to conduct business with Viterra from time to time. During the period, \$3.3 million (2009 - \$32 thousand) of crop inputs and storage bins were purchased from Viterra.
- (e) One Earth Farms transferred \$2 million (2009 - \$nil) to Ag Growth International, a shareholder, on account for future purchases of equipment and supplies by One Earth Farms. The terms and conditions of such futures purchases are agreed to at the time of a purchase order. During the period, One Earth Farms applied \$231 thousand of purchases to reduce the prepaid balance.

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 Canadian GAAP. It is the Company's intention to adopt IFRS over the transition period prescribed to publicly-listed companies. The date to commence reporting under IFRS is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2010 is the beginning of the comparative period for the first IFRS reporting date and will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. PricewaterhouseCoopers ("PwC") was engaged by the Company to assist with a diagnostic review and upon completion of the diagnostic review, to assist in the technical evaluation, issue resolution and preparation of mock IFRS interim and annual financial statements including full note disclosure.

The Company's IFRS implementation plan consists of three phases:

- Phase 1 – scoping and diagnostic: 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 with a focus on areas that may have a significant impact on the Company. Phase 1 was completed in 2009.
- Phase 2 – evaluation and design: This phase includes a detailed review of all relevant policy choices under IFRS to identify differences with current accounting policies and practices under Canadian GAAP and to develop solutions to address the differences identified. Items identified will be addressed according to the priority level assigned to them. During this phase, information systems, business processes and internal controls over financial reporting will be analyzed to ensure they can adequately support required disclosures under IFRS. The Company is currently progressing in this phase and anticipates being complete by the end of the third quarter 2010.
- Phase 3 – implementation phase: Upon completion of the evaluation and design phase, management will bring forward to the audit committee of the Board of Directors the recommended accounting policy choices to review and approve. All changes approved in the evaluation and design phase will then be implemented, including changes to information systems, business processes, and training of all staff who are impacted by the conversion.

While the Company has appointed internal staff to begin assessing the adoption of IFRS for 2011 and will begin implementing accounting systems necessary to accommodate the transition within a reasonable timeframe, the financial reporting impact of the transition to IFRS cannot be reasonably quantified at this time. Based on work completed thus far, the Company has identified the following possible areas of financial reporting impacts:

- Business Combinations: The Company applied CICA Handbook Section 1581 for the acquisition of Auriga and Orion. Business combinations recorded under IFRS will be significantly different than those recorded under Canadian GAAP. The rules that are the most likely to create differences include: the value the assets and liabilities are recorded on the date of acquisition; the treatment of contingent liabilities; the treatment of contingent consideration or payments; the impact of acquiring a business in steps; the initial measurement of the acquisition of a non-controlling interest; and the treatment of transaction costs. Business combinations may be subject to full retrospective application of IFRS 3 (Revised) unless the applicable IFRS 1 election is made. In addition, even if IFRS 1 is elected, there are certain components of the prior business combinations that will need to be assessed, such as a goodwill impairment test, on the transition date. The Company is currently determining the financial statement impact of retrospectively applying IFRS 3 to determine whether the IFRS 1 election will be used.
- Financial Instruments – Performance Shares: Currently, the Company's subsidiaries do not provide for the performance shares issued until such time that a performance condition has been met. IFRS differs significantly in how performance shares are accounted for. IFRS generally requires that a fair value be computed and reflected in the financial statements at the time of issuance. The Company's subsidiaries are at various stages in estimating fair value as part of their IFRS conversion efforts but cannot yet quantify how the differences to Canadian GAAP might impact its financial statements. The Company expects to have the work completed on quantifying the impact by the end of the third quarter.
- Financial Instruments – Other: The Company will need to conduct a comprehensive re-review of contracts and known embedded derivatives to determine the financial statement impact of these.

- Impairment Testing: The impairment methodology under IFRS has a number of differences to CGAAP. As a result, there is the potential that impairment losses will arise more frequently. IFRS also requires the reversal of a prior impairment under certain circumstances, which could result in greater variability in earnings if the recoverable amount of a previously impaired asset is determined to be higher than its carrying value.
- Agriculture: IFRS has a specific standard which deals with the accounting for biological assets, whereas there is no specific guidance under existing Canadian GAAP in this area. IFRS requires the measurement at fair value less the estimated costs to sell from initial recognition up to the point of harvest, other than when fair value cannot be measured at initial recognition. The requirement to assess the fair value of such assets at each reporting period increases the potential of increased volatility in the statements of operations.

The Company currently expects there will be no significant impact to the following areas of the financial statements:

- Short-term Investments: no significant differences between CGAAP and IFRS.
- Gold Bullion: no significant differences between CGAAP and IFRS.
- Prepays and Other receivables: no significant differences between CGAAP and IFRS.
- Investments: no significant differences between CGAAP and IFRS.
- Property, Plant and Equipment (oil & gas industry): The Company currently follows the Successful Efforts methodology in valuing and depreciating its oil and gas property, plant equipment. Successful efforts is expected to be approved as a methodology under IFRS.
- Accounts payable and accrued liability: no significant differences between CGAAP and IFRS.
- Asset Retirement Obligation: 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. IFRS requires the use of the current market-based discount rate at each balance sheet date, compared to Canadian GAAP which requires use of the rate at initial recognition. This changing rate will not affect earnings in the period of change, since it is added to the asset and liability side. However, there may be an impact on balance sheet driven ratios and covenants, along with the impact on future accretion and amortization. Management expects that the impact to the financial statements will not be material.
- Income Taxes: The Company has been closely monitoring the progress associated with the IASB's exposure draft to replace International Accounting Standard ("IAS") 12 "Income Taxes." In October 2009, the IASB decided it would not proceed with the exposure draft and instead would consider a limited scope project to amend IAS 12. Accordingly, management is evaluating the differences between the current version of IAS 12 and the relevant Canadian GAAP requirements. Management does not expect significant differences between CGAAP and IFRS.

Management's analysis is not yet complete and therefore it is possible that other significant differences to Canadian GAAP could arise prior to the January 1, 2010 transition date.

Impact on Information Systems and Technology

It is anticipated that the adoption of IFRS may have some impact on information systems requirements. Over the third and fourth quarters, the Company will assess the need for systems upgrades or modifications to ensure an efficient conversion to IFRS. The main drivers for systems changes include:

- Additional information required as a result of enhanced note disclosures,
- Tracking of IFRS to GAAP differences during the transition, and
- Tracking sufficient level of details within the accounting records to allow management to maintain adherence with IFRS going forward.
- The impact and changes to systems are on-going and will be prioritized as part of the project.

Impact on Reporting and Internal Controls

In accordance with the Company's approach to certification of internal controls required under NI 52-109, all entity-level, information technology, disclosure and business process controls will require updating and testing to reflect changes arising from SRC's conversion to IFRS. Where material changes are identified, these changes will be mapped and tested to ensure that no material control deficiencies exist as a result of the Company's conversion to IFRS.

The Company has completed the scoping and diagnostic phase and expects to complete the impact analysis and evaluation phases during the third quarter of 2010 and the opening balance sheet audit in either the third or fourth quarter of 2010. Management expects completion of the IFRS changeover to occur late in the fourth quarter of 2010 or early in the first quarter of 2011.

In summary, the Company has not yet determined whether any changes will materially affect, or are reasonably likely to materially affect the Company's ICFR in fiscal 2010 and 2011 due to the transition to IFRS. In the event that there are changes that will materially affect ICFR, the Company will disclose those changes and the associated impact in the respective future MD&A.

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 applied 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. Future income tax assets are recognized only to the extent that management determines that it is more likely than not that the future income tax asset will be realized.

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.

Taxes (\$000's)	For the period ended	
	June 30, 2010	Dec. 31, 2009
Capital tax expense (incl. in G&A) ¹	-	(571)
Capital tax payable	-	(252)
Income tax payable	(77)	-
Future income tax recovery (expense)	(2,368)	(529)
Future income tax asset	11,866	13,495

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 interests 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 and 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, 2009.

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.

Orion, as a standalone entity, follows the full cost accounting method of accounting for oil and gas activities. As a result, to consolidate Orion's financial statements, the Company reconciles Orion's oil and gas properties to the successful efforts method.

Oil and gas properties and equipment increased by \$17.6 million at June 30, 2010 from \$146.6 million at December 31, 2009. Impairment testing was performed by Waseca and Orion on a property by property basis with no write down required.

Grain Inventory

Grain 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. Standing crop 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. The standing crop inventory was \$4.7 million as at June 30, 2010.

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. Purchased inventory (farm production inputs) was \$678 thousand as at June 30, 2010.

Cattle Inventory

Cattle inventory consists of yearling calves and are valued at net realizable value calculated by reference to industry compiled market information. Cattle, hay and green-feed inventory was \$281 thousand as at June 30, 2010.

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 and Orion have both established stock option plans for the benefit of employees, officers, directors and consultants. In addition, both companies have established performance share plans 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 and performance warrants by the Company and its subsidiaries was \$1.5 million for the period ending June 30, 2010 versus \$37 thousand for the period ending June 30, 2009.

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.

Waseca's management calculated the ARO 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 \$1.1 million (December 31, 2009: \$523 thousand).

Orion management calculated the ARO using an average credit adjusted risk free interest rate of 9.0% and an average inflation rate of 3.0%. Orion's management has estimated the net present value of its ARO to be \$4.3

million at June 30, 2010 (December 31, 2009: \$3.8 million) based on a total future liability of \$17.0 million. These costs are expected to be incurred over the next one to thirty years.

Revenue Recognition

Revenue from the sale of crude oil, natural gas and natural gas liquids is recognized when delivery has taken place and the significant risks and rewards of the crude oil, natural gas and natural gas liquids 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).

Revenue from grain and livestock sales is recognized when the product is delivered and title and risk of loss have passed. Net sales are reduced by fees paid or payable to relevant commodity marketing boards.

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. Notes 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 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.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet arrangements such as contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or with respect to any obligations under a variable interest equity arrangement. The Company's subsidiary One Earth Farms has forward sales contracts pertaining to farm production. The forward sales contracts have been entered into with counterparties that have Standard and Poor's credit ratings of BBB- or better or have been licensed and bonded by the Canadian Grain Commission.

The following are contracts outstanding at June 30, 2010

Crop	Delivery Period	Volume (tonnes)	Net Price (\$ / tonne)	Total Value (\$)
Canola	September	1,200	381.00	457,200
Canola	October	2,000	373.99	747,980
Canola	September	1,000	375.99	375,990
Soft White Wheat	Sept - April	2,041	150.65	307,477
Soft White Wheat	Sept - Nov	272	156.16	42,476
Soft White Wheat	Dec - Feb	272	156.16	42,476
Barley	Aug - Sept	320	146.00	46,720

Financial Instruments

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, short-term investments, notes receivable, other receivables, 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. 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.

Orion utilizes a hedging program to partially mitigate price risks and facilitate the generation of more predictable cash flows to fund its capital expenditures. Orion may enter into derivative financial instruments to manage fluctuations in oil and gas market prices and has entered into these instruments with investment grade counterparties that management believes present minimal credit risks and its current bank. Orion's hedge arrangements are not held for trading purposes. Realized and unrealized gains on commodity derivatives are recognized in the current period. At June 30, 2010, Orion had financial derivatives outstanding (See "*Liquidity and Capital Resources*" for additional information).

In 2010, One Earth Farms began to utilize financial instruments to partially mitigate price risks and facilitate the generation of more predictable cash flows to fund its capital expenditures. One Earth Farms has committed to deliver certain crops using forward based cash contracts (see table above "*Off-Balance Sheet Arrangements*" for additional information).

Commodity Price Risk

Commodity price risk is the risk that global prices of a particular commodity, e.g. oil, natural gas liquids, natural gas, agricultural crops or livestock, will be such that the Company's subsidiaries may not be able to recover their costs of production through sales of that production. The Company's subsidiaries may engage in various programs to mitigate this risk.

One Earth Farms has initiated price stability programs which serve to mitigate this risk. The company has entered into forward contracts to lock in the selling price for a portion of its current year crop production.

Orion has, whenever possible, implemented commodity price risk management strategies to control the risk without limiting the upside opportunity if the price of oil, natural gas liquids or natural gas increases. Specifically, Orion's strategy is to purchase put options which set floors for such indices as WTI and AECO. There will be times when management believes that Orion's liquidity may be insufficient to acquire the level and type of optimal protection, or that the company's liquidity is required for other more immediate opportunities to create value, and in those instances management may consider alternatives such as collars or swaps.

Orion's Board of Directors determined that Orion would protect the commodity price associated with the 50% of forecast production which is permitted under the Credit Facility. Orion does not hold any option positions for 2011 or beyond, but will be re-visiting the matter at a future Board of Directors meeting.

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.

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 short term investments with terms of maturity within one year. The interest rate on its short term investments is at a fixed rate. The Company has no interest bearing debt.

Orion is exposed to interest rate risk to the extent it uses or draws down on its \$60 million revolving term credit facility. Fluctuations in interest rates could result in a change in the amount the Company pays to service its variable-interest debt. For the quarter ended June 30, 2010, it is estimated that a 1% increase in interest rates would have resulted in a decrease in Orion's net income of \$212 thousand.

Crop failure risk

Crop failure risk is the risk that the planned harvest is not attained usually as a result of inclement weather periods that severely affect crop growing cycles. One Earth Farms, at this time, plans to mitigate this risk with the appropriate amount of insurance available through private and government agencies.

Outstanding Share Data

Authorized Capital:

Common shares, no par value, unlimited shares.

Issued and outstanding:

The Company had 96,251,427 common shares issued and outstanding as at August 10, 2010.

Outstanding options, warrants, and convertible securities:

Type of Security	as at August 10, 2010		
	Number	Exercise Price	Expiry date
Share purchase warrants	16,564,284	\$4.25	December 31, 2010 ⁽¹⁾
Stock options	75,000	\$3.32	August 26, 2013
Stock options	75,000	\$2.98	September 1, 2014
Stock options	120,000	\$4.40	August 10, 2015

(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

The Company received approval from the TSX to begin a Normal Course Issuer Bid ("NCIB") on August 31, 2009 to repurchase and cancel up to 6.25 million common shares. During 2009, the Company had purchased and cancelled 2,891,400 common shares at an average price of \$3.86 per common share. In 2010 and to the date of this MD&A, 70 thousand common shares have been purchased and cancelled at an average price of \$4.49 per common share under this NCIB.

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 for the fact 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 and as a result, no changes in the Company's internal controls over financial reporting were made during the quarter ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, management's internal control over financial reporting.

Management has limited the scope of the design of Disclosure Controls and Procedures and Internal Controls over Financial Reporting to exclude controls, policies and procedures of Orion, an entity which the Company acquired not more than 365 days before the Company's year end.

The following is a summary of Orion's financial information, for the period ending June 30, 2010.

Orion Balance Sheet	As at June 30, 2010 \$000's	As at Dec. 31, 2009 \$000's
Current assets	21,015	10,754
Property, plant and equipment	139,466	128,826
Future income taxes	11,489	13,473
Total assets	171,970	153,053
Current liabilities	12,185	15,384
Long-term liabilities	25,499	5,785
Shareholders' equity	134,286	131,884

Orion Statement of operations	3 Months Ended June 30, 2010 \$000's	6 Months Ended June 30, 2010 \$000's
Oil and gas revenue (net of royalties)	16,720	29,837
Expenses	(17,075)	(28,391)
Net (loss) income before other income and income taxes	(355)	1,446
Net (loss) for the period	(99)	(145)
Net gain (loss) per share – basic and diluted	\$0.00	\$0.00

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 June 30, 2010 and have concluded that they are effective, 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 continues to scale up operations in 2010. One Earth Farms currently has approximately 59 thousand acres of cropland, 3 thousand acres of haylands and 23 thousand acres of pasture land for the cattle business under lease contract and 8,000 acres under custom farm management. During the seeding season, the second quarter, approximately 25,000 acres remained unseeded due to the extremely wet conditions of those acres. This season's spring rains are being viewed as an approximate 1 in 100 year event with the most impact being felt in eastern Saskatchewan. One Earth Farms has filed an application for crop insurance for the unseeded acres and early indications are that provincial insurance programs will reimburse farmers unable to seed due to weather conditions in the range of \$65 and \$80 per acre. In 2010, One Earth Farms expanded its geographic diversity into other locations in Saskatchewan and Alberta, in large part to mitigate weather risk, the biggest uncontrollable risk in farming. Other advantages of geographic diversification include crop diversity and better utilization of equipment and labour. Along with strong cost containment, this strategy has buffered the impact of the adverse weather conditions on One Earth Farms and has aided in ensuring that a higher percentage of land was not impacted by the 2010 weather conditions.

Cropland lease negotiations are currently underway with 25 First Nations in Saskatchewan, Manitoba and Alberta for 2011 operations. A strategy has been developed to select the optimum land parcels for the 2011 year of operations and beyond, including proximity to existing operations, potential profitability, prior use of the land and a set of rigorous agronomic standards developed to understand the opportunity of each section of cultivated land. One Earth Farms continued to expand its management, operating and seasonal employee teams to support its growth strategy for 2010 to 2012. Management finalized negotiations to merge two ranching operations comprised of 1,675 commercial cows, 115 purebred cows and 129 purebred bulls. The cattle business unit is structured as a pilot project to evaluate the long-term profitability and synergies with the crop farming business unit.

Orion continues to focus on their strategy of increasing production from the Canadian assets through an aggressive development capital program to support accretive acquisitions. Management will also continue to pursue, evaluate, and when warranted execute strategic transactions in jurisdictions with stable, equitable, and predictable fiscal and regulatory environments.

Orion expects to achieve the previously announced average annual production target of 4,050 – 4,900 boe/d for 2010. Orion exited the second quarter with average production of approximately 4,500 boe/d, which represents a 13% increase from the first quarter of 2010 and an 80% increase over the 2009 exit rate. Orion's summer and fall capital program will consist of six to eight Kaybob wells (revised from four to six wells), eight to 10 wells at Redwater (revised from 11 wells) including two horizontal wells targeting the Viking and Ellerslie formations, respectively. To accommodate additional volumes, management will also direct capital to enhance facility infrastructure.

Orion management has explored several strategic acquisitions during the first half of 2010 involving assets in North America and various South American countries. Business development continues to be a major focus of the management team.

Waseca remains in a strong financial position with a significant portion of its assets held in cash and cash equivalents. The company has amassed a significant land position and has completed its 2010 second quarter drilling program of four wells. Waseca currently plans to drill an additional 31 wells in the third and fourth quarter and it is possible that management may elect to slightly increase the total number of wells drilled in the fourth quarter. Management expects to be in a position to increase the average production on certain wells in the third quarter and continues to estimate that the 2010 drilling program should result in a December 31, 2010 exit production between 1,300 boe/d and 1,600 boe/d.

Waseca also continues to acquire significant amounts of seismic data to evaluate lands in the area and determine future exploratory drilling locations. The Company's evaluation of upcoming crown land sales and potential production acquisition opportunities are ongoing. The Company's future activity will be dependent on market conditions, though management notes that current conditions are favourable to prudently increasing drilling plans to reflect our increased land position in an effort to maximize shareholder value.

During the second quarter and through the end of 2010, Stonegate Agricom has begun to use the proceeds from its initial public offering to further explore and develop the Mantaro Phosphate Project in Peru and the Paris Hills phosphate project in Idaho, begin the pre-feasibility study for both projects and for general corporate and working capital purposes.

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

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.