

Sprott Resource Corp.

Condensed Interim Consolidated Financial Statements
First Quarter Ended March 31, 2011
(Unaudited – *expressed in Canadian dollars*)

Sprott Resource Corp.
Interim Consolidated Statements of Financial Position
Unaudited – Amounts expressed in CAD\$000's

	Mar. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Assets			
Current Assets			
Cash and cash equivalents	138,435	91,315	107,085
Gold bullion (note 9)	103,006	105,597	84,842
Trade and other receivables	33,740	29,903	12,698
Farm inventory (note 5)	3,959	4,403	609
Biological assets (note 6)	1,456	1,556	647
Derivative financial instruments	-	-	1,210
	<u>280,596</u>	<u>232,774</u>	<u>207,091</u>
Non-Current Assets			
Investments (note 7)	57,086	66,057	33,750
Investment in Stonegate Agricom Ltd. (note 8)	20,211	31,491	14,097
Property, plant and equipment, net of accumulated depletion, depreciation and amortization (note 11)	240,963	214,954	138,133
Exploration and evaluation assets (note 10)	14,582	15,326	13,223
Long-term biological assets (note 6)	5,575	2,633	586
Deferred taxes	4,822	7,323	12,971
Total Assets	<u>623,835</u>	<u>570,558</u>	<u>419,851</u>
Liabilities			
Current Liabilities			
Trade and other payables	29,634	37,315	21,678
Income and capital taxes payable	2,012	92	252
Derivative financial instruments	7,227	3,432	-
	<u>38,873</u>	<u>40,839</u>	<u>21,930</u>
Non-Current Liabilities			
Bank credit facility (note 13)	50,098	35,247	2,052
Asset retirement obligation (note 12)	14,640	13,870	7,531
Total Liabilities	<u>103,611</u>	<u>89,956</u>	<u>31,513</u>
Equity			
Capital stock (note 14b)	329,504	329,589	213,747
Warrants (note 14d)	-	-	44,305
Contributed surplus (note 14c)	11,328	10,518	3,779
	<u>340,832</u>	<u>340,107</u>	<u>261,831</u>
Retained earnings	102,812	79,917	80,916
Accumulated other comprehensive income	7,726	13,141	257
Total equity attributable to shareholders of the Company	<u>451,370</u>	<u>433,165</u>	<u>343,004</u>
Non-controlling interest	<u>68,854</u>	<u>47,437</u>	<u>45,334</u>
Total Equity	<u>520,224</u>	<u>480,602</u>	<u>388,338</u>
Total Liabilities and Equity	<u>623,835</u>	<u>570,558</u>	<u>419,851</u>

Commitments (note 19)

Subsequent events (note 20)

Approved by the Board of Directors

(signed) Michael Winn

Director

(signed) Terrence A. Lyons

Director

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

Sprott Resource Corp.
Interim Consolidated Statements of Income
For the three months ended March 31, 2011 and 2010
Unaudited – Amounts expressed in CAD\$000's

	Mar. 31, 2011	Mar. 31, 2010
Revenue		
Oil and gas revenue	33,216	18,488
Oil and gas royalties	(5,934)	(3,420)
Farming revenue	1,490	379
	<u>28,772</u>	<u>15,447</u>
Other income and expenses		
General and administrative expense (note 18)	6,609	5,847
Management fees (notes 15a and 19)	2,290	1,510
Oil and gas operating and exploration	11,114	6,168
Depreciation and depletion	8,994	4,278
Farm production costs	622	254
Other farm expenses	1,847	649
Crop costs of production and fair value adjustments	1,439	565
Fair value adjustment to biological assets	(335)	77
Gain on disposal of investments (notes 7 and 8)	(32,903)	(183)
Interest and other income	(82)	(31)
Foreign exchange (gain) loss	(9)	22
Fair value adjustment to gold bullion	2,591	1,303
Realized loss on derivative instruments (note 19)	748	180
Unrealized loss on derivative instruments (note 19)	3,795	1,146
Unrealized loss on investments held-for-trading (note 7)	94	81
Loss on other items	-	1,160
	<u>6,814</u>	<u>23,026</u>
	<u>21,958</u>	<u>(7,579)</u>
Finance costs		
Finance expense (note 17)	(1,036)	(287)
Equity loss in Stonegate Agricom Ltd. (note 8)	(1,013)	(411)
	<u>19,909</u>	<u>(8,277)</u>
Income (loss) before income tax		
Income tax		
Current income tax expense	(2,000)	-
Future income tax expense	(3,341)	(227)
	<u>(5,341)</u>	<u>(227)</u>
Income (loss) for the period	<u>14,568</u>	<u>(8,504)</u>
Income (loss) for the period attributable to:		
Non-controlling interest	(1,553)	(1,017)
Shareholders of the Company	16,121	(7,487)
Income (loss) for the period	<u>14,568</u>	<u>(8,504)</u>
Basic earnings (loss) per share (note 16a)	0.14	(0.08)
Fully diluted earnings (loss) per share (note 16b)	0.14	(0.08)
Weighted average shares outstanding during the period		
Basic	113,380,016	96,193,427
Fully diluted	113,408,595	96,731,219

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Sprott Resource Corp.
Interim Consolidated Statements of Comprehensive Income
For the three months ended March 31, 2011
Unaudited – Amounts expressed in CAD\$000's

	Three months ended	
	Mar 31, 2011	Mar 31, 2010
Income (loss) for the period	14,568	(8,504)
Unrealized gains (losses) on available-for-sale investments (note 7)	(4,592)	4,690
Stonegate Agricom Ltd. cumulative translation adjustment	(29)	(274)
Gain on disposal of investments	(1,687)	(183)
Future income taxes on available-for-sale investments	893	(1,234)
Total Other comprehensive income	<u>(5,415)</u>	<u>2,999</u>
Comprehensive income (loss) for the period, net of tax	<u>9,153</u>	<u>(5,505)</u>
 Other comprehensive income (loss) attributable to:		
Non-controlling interest	-	-
Shareholders of the Company	(5,415)	2,999
	<u>(5,415)</u>	<u>2,999</u>
 Comprehensive income (loss) attributable to:		
Non-controlling interest	(1,553)	(1,017)
Shareholders of the Company	10,706	(4,488)
	<u>9,153</u>	<u>(5,505)</u>
Accumulated other comprehensive income - Beginning of period	13,141	257
Stonegate Agricom Ltd. cumulative translation adjustment	(29)	(274)
Unrealized gains (losses) on available-for-sale investments (note 7)	(4,592)	4,690
Gain on disposal of investments	(1,687)	(183)
Future income taxes on available-for-sale investments	893	(1,234)
Accumulated other comprehensive income - End of period, net of tax	<u>7,726</u>	<u>3,256</u>

Sprott Resource Corp.
Interim Consolidated Statements of Equity
Unaudited – Amounts expressed in CAD\$000's

	Capital stock	Warrants	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Non-controlling interest	Total
January 1, 2010	213,747	44,305	3,779	80,916	257	45,334	388,338
Net loss	-	-	-	(7,487)	-	(1,017)	(8,504)
Exercise of warrants	85	-	-	-	-	-	85
Fair value of warrants	53	(53)	-	-	-	-	-
Stock-based compensation	-	-	1,343	-	-	-	1,343
Other comprehensive income	-	-	-	-	2,999	-	2,999
Non-controlling interest contributed surplus	-	-	(331)	-	-	331	-
Financing in subsidiaries	-	-	-	(148)	-	3,382	3,234
Dilution of subsidiary investments	-	-	-	(291)	-	291	-
Wintraysan financing in Orion	-	-	-	925	-	249	1,174
March 31, 2010	213,885	44,252	4,791	73,915	3,256	48,570	388,669
Net income (loss)	-	-	-	7,075	-	(4,169)	2,906
Share buy back	(156)	-	-	(159)	-	-	(315)
Exercise of warrants	67,309	-	-	-	-	-	67,309
Fair value of warrants	42,286	(42,286)	-	-	-	-	-
Expiry of warrants	-	(1,966)	1,966	-	-	-	-
Exercise of stock options	175	-	-	-	-	-	175
Fair value of stock options	104	-	(104)	-	-	-	-
Shares issued for investment purchase	5,986	-	-	-	-	-	5,986
Dilution of subsidiary investments	-	-	-	80	-	(65)	15
Financing in subsidiaries	-	-	-	(994)	-	2,081	1,087
Other comprehensive income	-	-	-	-	9,885	-	9,885
Non-controlling interest contributed surplus	-	-	(1,020)	-	-	1,020	-
Stock-based compensation expense	-	-	4,885	-	-	-	4,885
December 31, 2010	329,589	-	10,518	79,917	13,141	47,437	480,602
Share buy back	(85)	-	-	(45)	-	-	(130)
Net income	-	-	-	16,121	-	(1,553)	14,568
Other comprehensive income	-	-	-	-	(5,415)	-	(5,415)
Non-controlling interest investment in One Earth Farms	-	-	-	-	-	29,431	29,431
Dilution effect of financing in One Earth Farms	-	-	-	8,174	-	(8,174)	-
Non-controlling interest contributed surplus	-	-	(358)	-	-	358	-
Stock-based compensation	-	-	1,168	-	-	-	1,168
One Earth Farms warrant exercise	-	-	-	(1,355)	-	1,355	-
March 31, 2011	329,504	-	11,328	102,812	7,726	68,854	520,224

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

Sprott Resource Corp.
Interim Consolidated Statements of Cash Flows
For the three months ended March 31, 2011
Unaudited – Amounts expressed in CAD\$000's

	Three months ended	
	Mar. 31, 2011	Mar. 31, 2010
Cash flows from (used in) operating activities		
Income (loss) for the period	14,568	(8,504)
Items not affecting cash		
Gain on disposal of investments	(32,903)	(183)
Unrealized loss on derivative instruments	3,795	1,146
Unrealized loss on investments held-for-trading	94	81
Equity loss in Stonegate Agricom Ltd.	1,013	411
Depletion, depreciation and amortization	9,926	4,251
Asset retirement obligation accretion	770	129
Future income tax expense	3,341	227
Stock-based compensation	1,168	1,234
Dry hole costs	486	417
Fair value adjustment to gold bullion	2,591	1,303
Market value changes to biological assets	(335)	-
Loss on disposal of property, plant and equipment	2	-
Non-cash Orion transaction costs	-	124
Non-cash Finance costs	-	250
Non-cash consideration on Orion share issuance	-	1,301
	<u>4,516</u>	<u>2,187</u>
Changes in non-cash operating working capital		
Trade and other receivables	(3,740)	(8,083)
Farm inventory and current biological assets	544	(3,314)
Trade and other payables	(2,024)	6,258
Income and capital tax payable	1,920	(4,252)
	<u>(3,300)</u>	<u>(9,391)</u>
	<u>1,216</u>	<u>(7,204)</u>
Cash flows from (used in) investing activities		
Investment in long-term biological assets	(2,607)	(469)
Purchase of investments	(1,500)	(8,534)
Proceeds on sale of investments	5,785	631
Proceeds on sale of investment in Stonegate Agricom Ltd.	41,456	-
Deposit on purchase of long-term assets	-	(2,120)
Purchase of property, plant and equipment	(32,274)	(23,662)
Additions to exploration and evaluation assets	(9,146)	(3,008)
Proceeds on disposal of property, plant and equipment	38	-
Interest paid	-	(212)
	<u>1,752</u>	<u>(37,374)</u>
Cash flows from (used in) financing activities		
Financing in Waseca Energy Inc.	-	2,925
Financing in One Earth Farms Corp.	29,430	85
Proceeds from bank credit facility	14,851	15,552
Normal course issuer bid	(129)	-
	<u>44,152</u>	<u>18,562</u>
Change in cash and cash equivalents	47,120	(26,016)
Cash and cash equivalents – Beginning of period	91,315	107,085
Cash and cash equivalents – End of period	<u>138,435</u>	<u>81,069</u>

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

Sprott Resource Corp.
Condensed Notes to Interim Consolidated Financial Statements
For the three months ended March 31, 2011
Unaudited – Amounts expressed in CAD\$

1. Corporate Information

Sprott Resource Corp. (“SRC” or the “Company”) was incorporated under the *Canada Business Corporations Act* (“CBCA”) on August 19, 1994. The primary purpose of the Company is to invest in the natural resource sector through acquisitions, joint ventures and the creation of new companies. The Company currently has operations and/or investments in agriculture, energy, precious metals and other natural resources. Management of the Company is dedicated to generating superior returns on capital, risk management and real wealth preservation.

The Company is listed on the Toronto Stock Exchange (“TSX”).

These consolidated financial statements are presented in Canadian dollars and include the accounts of the Company and the following subsidiaries: Orion Oil & Gas Corporation (“Orion”); Waseca Energy Inc. (“Waseca”); One Earth Farms Corp. (“One Earth Farms”); and One Earth Oil and Gas Inc. (“OEOG”). In addition, the Company equity accounts for Stonegate Agricom Ltd. (“Stonegate Agricom”).

The Company’s head office is located at 200 Bay Street, Suite 2750, Royal Bank Plaza, South Tower, Toronto, Ontario, M5J 2J2.

2. Basis of Presentation

a) Statement of Compliance

This is the first year in which the Company has prepared its financial statements under International Financial Reporting Standards and interpretations (collectively referred to as “IFRS”) as issued by the International Accounting Standards Board (“IASB”). The comparative information has been restated from Canadian generally accepted accounting principles (“Canadian GAAP”) to comply with IFRS. In these consolidated financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS. Reconciliations to IFRS from the previously published Canadian GAAP financial statements are shown in Note 4.

The condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim consolidated financial statements, including International Accounting Standard (“IAS”) 34, *Interim Financial Reporting* (“IAS 34”), and IFRS 1, *First-time Adoption of International Financial Reporting Standards* (“IFRS 1”). Subject to certain transition elections disclosed in Note 4, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 (“Date of Transition”) and throughout all periods presented, as if these policies had always been in effect. Note 4 discloses the impact of the transition to IFRS on the Company’s reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company’s consolidated financial statements for the year ended December 31, 2010. Comparative figures for 2010 in these financial statements have been restated to give effect to these changes.

The accounting policies that follow are those applied in preparing the interim consolidated financial statements for the period ended March 31, 2011. The policies applied are based on IFRS issued and outstanding as of June 7, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company’s annual financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed interim consolidated financial statements should be read in conjunction with the Company’s Canadian GAAP annual consolidated financial statements for the year ended December 31, 2010. Note 4 discloses IFRS information for the year ended December 31, 2010 that is material to an understanding of these interim consolidated financial statements.

b) First-time Adoption Exemptions Applied

In 2010, the CICA handbook was revised to incorporate IFRS and required publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011.

This is the first year in which the Company is preparing its financial statements in accordance with IFRS as issued by the IASB. The accounting policies that follow are those applied in preparing the interim consolidated financial statements for the period ended March 31, 2011.

Sprott Resource Corp.
Condensed Notes to Interim Consolidated Financial Statements
For the three months ended March 31, 2011
Unaudited – Amounts expressed in CAD\$

IFRS 1, which governs the first-time adoption of IFRS, in general requires accounting policies to be applied retrospectively to determine the opening statement of financial position at the Company's Date of Transition and contains certain exemptions and exceptions from retrospective application on the transition to IFRS. The exemptions and exceptions the Company has elected to apply and are considered applicable to the Company are the following:

Mandatory Exception

The following exception is mandatory under IFRS 1 and is applicable to the Company:

- Estimates - Estimates under IFRS 1 as the Date of Transition should be consistent with estimates made for the same date under Canadian GAAP, unless there is evidence that those estimates were an error. The Company's estimates under IFRS at the Date of Transition were consistent with those made under Canadian GAAP in accordance with IFRS 1.

All other mandatory exceptions required under IFRS 1 were not applicable to the Company

First-Time Adoption Exemptions Applied

Business combinations

Under this exemption, the Company can elect not to restate historic business combination transactions completed in accordance with Canadian GAAP prior to the Date of Transition.

Share-based payments

This exemption allows SRC to not apply IFRS 2, Share-based Payment ("*IFRS 2*"), to equity instruments granted after November 7, 2002 and vested before the Date of Transition.

Asset retirement obligation

This exemption allows the Company on transition to determine what the depletion of the asset retirement obligation asset would have been on the measurement under IFRS when the corresponding liability was incurred.

Arrangements containing leases

The exemption allows SRC to evaluate leases at the Date of Transition rather than the date of lease inception.

Cumulative translation adjustment

Cumulative translational differences for all foreign operations with a functional currency other than the Canadian dollar may be deemed zero at transition.

Borrowing costs

The Company elected to apply IFRS relating to borrowing costs prospectively from the Date of Transition. Borrowing costs relating to qualifying assets, if any, before that date were expensed as incurred.

c) Consolidation

The financial statements of the Company consolidate the accounts of SRC and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Sprott Resource Corp.
Condensed Notes to Interim Consolidated Financial Statements
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Subsidiaries are those entities SRC controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by SRC and are de-consolidated from the date that control ceases.

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net income and comprehensive income is recognized directly in equity. Changes in the parent company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

d) Subsidiaries and Associated Companies

The consolidated financial statements are presented in Canadian dollars and include the accounts of the Company and its subsidiaries: Orion, Waseca, One Earth Farms and OEOG. The Company also equity accounts for Stonegate Agricom.

The principal subsidiaries and associates of the Company as at December 31, 2010 and March 31, 2011 are as follows:

Subsidiary or Associate	Interest at Mar. 31, 2011	Interest at Dec. 31, 2010	Functional Currency
Orion	78.9%	78.9%	Canadian \$
Waseca	81.3%	81.3%	Canadian \$
One Earth Farms	61.7%	72.7%	Canadian \$
OEOG	90.7%	90.7%	Canadian \$
Stonegate Agricom	36.2%	54.0%	U.S. \$

Orion was incorporated under the Alberta *Business Corporations Act* ("ABCA") on September 22, 2009. Orion is a publicly listed company engaged in the exploration, development and operation of oil and gas interests in Western Canada.

Waseca was incorporated under the ABCA on December 11, 2007. Waseca is a private oil and gas company whose primary focus is heavy oil production in the Lloydminster area and is located on the border of Alberta and Saskatchewan.

One Earth Farms was incorporated under the CBCA on February 5, 2009. One Earth Farms is building a fully-integrated corporate farming entity focused primary on agricultural production of crops and livestock in the Prairie Provinces of Western Canada.

OEOG was incorporated under the CBCA on April 25, 2008. OEOG focuses on, among other things, developing oil and gas properties on First Nations land in Western Canada.

Stonegate Agricom is a public Canadian company engaged in the acquisition, exploration and development of agricultural nutrient projects and is currently focused on the exploration and development of the Mantaro Property, a phosphate deposit in Peru, and the Paris Hills Property, a phosphate deposit in Idaho, U.S.A.

Pursuant to a Voting Agreement, the Company has never controlled Stonegate Agricom and has equity accounted for its investment in this associate. The Company agreed to vote its Stonegate Agricom shares in favour of each nominee to the board of directors proposed by the management of Stonegate Agricom for a period of three years from the date of the initial public offering ("IPO") of Stonegate Agricom, provided that one such nominee is a representative of the Company.

Sprott Resource Corp.
Condensed Notes to Interim Consolidated Financial Statements
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Unaudited – Amounts expressed in CAD\$

3. Summary of Significant Accounting Policies

This is the first year in which the Company has prepared its financial statements in accordance with IFRS as issued by the IASB. The accounting policies that follow are those applied in preparing the interim consolidated financial statements for the period ended March 31, 2011.

a) Basis of Measurement

The interim consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value, including derivative instruments and available-for-sale investments.

b) Significant Accounting Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

The Company uses estimates to calculate farm crop and biological inventory, valuation of financial instruments, depreciation, depletion and accretion expense, to assess impairment of long-lived assets, to estimate asset retirement obligations, to calculate the fair value of stock-based compensation, and to estimate current and future tax expense.

For oil and gas properties, the Company calculates depreciation, depletion and accretion expense and assesses impairment using management estimates of oil and gas reserves remaining in oil and gas properties, commodity prices and capital costs required to develop those reserves. By their nature, estimates of volumes and the related future cash flows are subject to measurement uncertainty, and the impact of differences between actual and estimated amounts on the consolidated financial statements of future periods could be material. Such reserve estimates, which have been made by independent engineering firms, are subject to change as additional information becomes available.

Numerous assumptions and judgments are required in the fair value calculation of the asset retirement obligation (“ARO”) including the ultimate settlement amounts, inflation factors, credit-adjusted discount rates, timing of settlement, and changes in the legal, regulatory, environmental and political environments. To the extent future revisions to these assumptions impact the fair value of the existing ARO liability, a corresponding adjustment is made to the oil and gas property balance.

The Company makes estimates of the farm crop and biological inventory using judgments and available market data. Estimates of the future price of the crop in inventory and the basis spread on the futures contract will impact the differences between actual and estimated amounts on the consolidated financial statements of future periods and could be material.

c) Investment in Associates

Associates are entities over which the Company has significant influence, but not control. The financial results of the Company’s investments in its associates are included in the Company’s results according to the equity method. Subsequent to the acquisition date, the Company’s share of profits or losses of associates is recognized in the statement of income and its share of other comprehensive income (loss) of associates is included in the other comprehensive income (loss) account.

Unrealized gains on transactions between the Company and an associate are eliminated to the extent of the Company’s interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests in investments in associates are recognized in the statement of income.

The Company assesses at each period-end whether there is any objective evidence that its interests in associates are impaired. If impaired, the carrying value of the Company’s share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less cost to sell and value in use) and charged to the statement of income

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Unaudited – Amounts expressed in CAD\$

d) Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates, and discounts and after eliminating sales from subsidiaries and associated companies.

The Company recognizes revenue when the amount of revenue can be reliably measured. It is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Company participates in various government assistance and insurance programs available to agricultural producers. Government assistance payments and insurance proceeds under these programs are recognized as revenue where the claim has been submitted and collection of the amount of the claim is reasonably certain.

e) Foreign Currency Translation

Functional and presentation currency

Items included in the financial statements of each consolidated entity in SRC are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). The consolidated financial statements are presented in Canadian dollars, which is the Company's Functional Currency.

The results and financial position of all the Company's entities that have a Functional Currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the statement of financial position;
- the opening equity is translated at the historical rate;
- income and expenses for each profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of equity.

All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary are reallocated between controlling and non-controlling interests.

f) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

g) Gold Bullion

The Company holds physical gold bullion as a short-term investment as gold is highly liquid and readily convertible to cash. Bullion is initially recognized at fair value, and re-measured at each subsequent reporting date. Fair value is based on the market value of gold as traded in an active market. Gains and losses (unrealized and realized) are recognized in the statement of income.

Sprott Resource Corp.
Condensed Notes to Interim Consolidated Financial Statements
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Unaudited – Amounts expressed in CAD\$

h) Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

- (i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of income. Gains and losses arising from changes in fair value are presented in the statement of income within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond 12 months of the statement of financial position date, which is classified as non-current.

- (ii) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company's available-for-sale assets comprise marketable securities and investments in debt and equity securities.

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Available-for-sale investments are classified as non-current, unless the investment matures within 12 months, or management expects to dispose of it within 12 months.

Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of income as part of interest income. Dividends on available-for-sale equity instruments are recognized in the statement of income as part of other gains and losses when the Company's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the statement of income and included in other gains and losses.

- (iii) Held-for-trading investments: Derivatives, other than those designated as effective hedging instruments, are classified as held-for-trading. These assets are carried on the statement of financial position at fair value with gains or losses recognized in the statements of income (loss) and comprehensive income (loss) in the period in which they arise. Financial assets and liabilities held-for-trading are classified as current except for the portion expected to be realized or paid beyond 12 months from the statement of financial position date, which is classified as non-current.

The Company holds warrants of public and private company investments (included in the portfolio investments) which are classified as derivatives. All derivative instruments are held-for-trading and are measured at fair value. Changes in the fair values of derivative instruments are recognized in net income.

- (iv) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise trade receivables and cash and cash equivalents, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

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- (v) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade payables, bank debt and long-term debt. Trade payables are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. Bank debt and long-term debt are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

- (vi) Derivative financial instruments: All derivatives have been classified as held-for-trading, are included on the statement of financial position within other assets, warrants or other liabilities and are classified as current or non-current based on the contractual terms specific to the instrument. Gains and losses on re-measurement are included in interest income (expense) in the case of interest rate swaps and other gains and losses in the case of warrants.

i) Impairment of Financial Assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

- (i) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.
- (ii) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to net income.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

j) Biological Assets (including farm inventory)

A biological asset is a living animal or plant and an agricultural activity is the biological transformation of biological assets for sale, into agricultural produce or into additional biological assets. Biological assets are recognized at fair value less estimated costs to sell. Fair value changes are recognized in the income statement. All the expenses incurred in establishing and maintaining the assets are recognized in profit or loss. Finance charges are not capitalized.

Livestock

Livestock has been valued at fair value less point-of-sale costs at the reporting date. Fair value is based on average weight per head and average market prices. Valuation is dependent on a number of factors including estimated herd quality, market prices, bred status and age of cattle.

Livestock intended to be sold are classified as current biological assets. Long-term biological assets consist of the breeding herd not intended to be sold.

Grain crops

Standing crops of grain are valued at fair value less point-of-sale costs at the time of harvesting and are classified as current biological assets.

Growing seedlings that have been in the ground for less than 90 days are considered immature standing crop. Fair value of immature standing crops is based on insured value.

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Mature standing crop consists of growing seedlings that have been in the ground for greater than 90 days. Fair value of mature standing crops is based on a number of factors including estimated crop yield, grade and expected market price less harvesting and point-of-sale costs.

Upon harvest, grain is transferred to inventories at fair value less estimated point of sale costs at the date of harvest.

k) Property Plant and Equipment (excluding oil and gas properties)

PP&E are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of income during the period in which they are incurred.

The major categories of PP&E are depreciated on a straight-line or declining-balance basis as follows:

	SRC	Orion	Waseca	OEOG	One Earth Farms
	(years)	(years)	(years)	(%)	(%)
Building	Life of lease	-	20	-	10%
Plant, production machinery and equipment	-	25	8 – 30	-	20%
Office equipment	45%	3	5	20%	20%
Information technology	-	-	-	-	20 – 30%
Furniture and fixtures	Life of lease	-	Life of lease	25%	20%
Vehicles	-	-	5	-	20%

Depreciation on farm equipment is calculated using the declining-balance method over the estimated useful life of the respective asset. In the year of acquisition, one-half the annual amortization is taken. Repairs and maintenance costs, as well as other minor purchases, are expensed as incurred.

The Company allocates the amount initially recognized in respect of an item of PP&E to its significant parts and depreciates separately each such part. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of PP&E are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of income.

l) Oil and Gas Properties

Oil and natural gas exploration, appraisal and development expenditure is accounted for using the principles of the successful efforts method of accounting.

License and property acquisition costs

Exploration license and leasehold property acquisition costs are capitalized within intangible assets and are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or planned or that it has been determined, or work is under way to determine, that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing. Consideration is also given to the length of time before lease expiry. If no future activity is planned, the remaining balance of the license and property acquisition costs is written off. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to PP&E.

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Exploration and appraisal assets and expenditures

Geological and geophysical exploration costs are charged against income as incurred.

Costs directly associated with an exploration well are initially capitalized as an intangible asset until the drilling of the well is complete and the results have been evaluated. These costs include surface lease and access costs, materials and fuel used, rig costs and payments made to contractors. If potentially commercial quantities of hydrocarbons are not found, the exploration expenditure is written off as a dry hole. If hydrocarbons are found and, subject to further appraisal activity, are likely to be capable of commercial development, the costs continue to be carried as an asset.

Costs directly associated with appraisal activity, undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalized as an intangible asset.

All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proved reserves of oil and natural gas are determined and development is approved by management, the relevant expenditure is transferred to PP&E.

Development expenditure

Expenditure on the construction, installation or completion of infrastructure facilities such as the drilling of development wells, including service and unsuccessful development or delineation wells, is capitalized within PP&E and is depreciated from the commencement of production as described above in the accounting policy for PP&E.

m) Impairment of Non-financial Assets

PP&E and intangible assets are tested for impairment when events or changes in circumstance indicate that the carrying amount may not be recoverable. Long-lived assets that are not amortized are subject to an annual impairment test and a quarterly review of impairment indicators. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or “CGUs”). The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount.

The Company evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration.

n) Borrowing Costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the statement of income in the period in which they are incurred.

o) Employee Benefits

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 the statements of income 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 option pricing model.

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One Earth Farms, OEOG, Orion and Waseca have also established stock option plans (collectively "Subsidiary Plans" and individually the "One Earth Farms Plan", "OEOG Plan", "Orion Plan" and "Waseca Plan") and performance share plans (collectively "Subsidiary Performance Shares" and individually "OEOG Performance Shares", "Orion Performance Shares" and "Waseca Performance Shares") for the benefit of their employees, officers, directors and consultants.

To the extent the performance condition has not yet been met, a fair value is computed and disclosed, but no provision is made in the Company's financial statements. To the extent the performance condition has been met, the fair value of all Subsidiary Performance Shares issued is recorded as a charge to the statements of income and a credit to contributed surplus. Any consideration received on the conversion of Subsidiary Performance Shares together with the related portion of contributed surplus is credited to share capital.

p) Provisions

Decommissioning

Liabilities for decommissioning costs are recognized when the Company has a legal or constructive obligation to dismantle and remove a well and to restore the site on which it is located, and when a reliable estimate of that liability can be made. Where an obligation exists for a new facility, such as an oil or natural gas well, this will be on construction or installation. An obligation for decommissioning may also crystallize during the period of operation of a facility through a change in legislation or through a decision to terminate operations. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. The provision for decommissioning liabilities is reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

A corresponding item of PP&E of an amount equivalent to the provision is also recognized. This is subsequently depreciated as part of the asset. Other than the unwinding discount on the provision, any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding item of PP&E.

Environmental expenditures and liabilities

Environmental expenditures that relate to current or future revenues are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and do not contribute to current or future earnings are expensed. Liabilities for environmental costs are recognized when a clean-up is probable and the associated costs can be reliably estimated. Generally, the timing of recognition of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The amount recognized is the best estimate of the expenditure required. Where the liability will not be settled for a number of years, the amount recognized is the present value of the estimated future expenditure.

q) Other Provisions

Provisions for restructuring costs, warranties and legal claims, where applicable, are recognized in other liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

r) Income Taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Deferred income tax assets and liabilities are provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are recognized for all taxable temporary differences except:

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- When the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future and, for deferred income tax assets, taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax on income in interim periods is determined using the tax rate that would be applicable to expected annual earnings.

s) Capital Stock

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

t) Earnings (Loss) per Share

Earnings per share are presented for basic and diluted earnings. Basic per share information is computed by dividing the net income or loss attributable to the equity owners by the weighted average number of common shares outstanding during the year. The weighted average number of shares for fully diluted earnings per share information is calculated using the treasury stock method whereby it is assumed that proceeds obtained upon exercise of options and warrants would be used to purchase common shares at the average market price during the period. Under the treasury stock method, options and warrants have a dilutive effect only when the average market price of the common shares during the period exceeds the exercise price of the options or warrants (they are "in-the-money"). Unvested performance warrants are excluded from the earnings per share calculation until the performance conditions are satisfied. Exercise of in-the-money options and warrants is assumed at the beginning of the year or date of issuance, if later. Should the Company have a loss for the period, options and warrants would be anti-dilutive and therefore would have no effect on the determination of loss per share.

u) Leases

A lease is a finance lease when substantially all of the risks and rewards incidental to ownership of the leased asset are transferred from the lessor to the lessee by the agreement. The leased assets are initially recorded at the lower of the fair value and the present value of the minimum lease payments and are depreciated over the shorter of the assets' useful lives and the term of the lease. Interest on the lease installments is recognized as interest expense over the lease term using the effective interest method. Leases for land and buildings are recorded separately if the lease payments can be allocated accordingly.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments are recorded in the statement of income using the straight-line method over their estimated useful lives.

v) Accounting Standards Issued But Not Yet Applied

In November 2009, the IASB issued IFRS 9, *Financial Instruments*, which becomes effective for annual periods beginning on or after January 1, 2013.

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In May 2011, the IASB issued the following standards: IFRS 10, *Consolidated Financial Statements* (“IFRS 10”), IFRS 11, *Joint Arrangements* (“IFRS 11”), IFRS 12, *Disclosure of Interests in Other Entities* (“IFRS 12”), IAS 27, *Separate Financial Statements* (“IAS 27”), IFRS 13, *Fair Value Measurement* (“IFRS 13”), and amended IAS 28, *Investments in Associates and Joint Ventures* (“IAS 28”). Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

IFRS 9 – Financial Instruments

IFRS 9 was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, *Consolidation – Special Purpose Entities*, and parts of IAS 27, *Consolidated and Separate Financial Statements*.

IFRS 11 – Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers*.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity’s interests in other entities.

IFRS 13 – Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27, *Separate Financial Statements*, (“IAS 27”) and IAS 28, *Investments in Associates and Joint Ventures* (“IAS 28”). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13.

The Company has not yet assessed the impact of these new standards or determined if it will adopt the standards early.

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4. Transition to IFRS

In 2010, the CICA handbook was revised to incorporate IFRS and required publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011.

This is the first year in which the Company is preparing its financial statements in accordance with IFRS as issued by the IASB. The accounting policies that follow are those applied in preparing the interim consolidated financial statements for the period ended March 31, 2011.

IFRS 1, which governs the first-time adoption of IFRS, in general requires accounting policies to be applied retrospectively to determine the opening statement of financial position at the Company's Date of Transition and contains certain exemptions and exceptions from retrospective application on the transition to IFRS. The exemptions and exceptions the Company has elected to apply and are considered applicable to the Company are the following:

a) Mandatory Exception

The following exception is mandatory under IFRS 1 and is applicable to the Company:

- Estimates - Estimates under IFRS 1 as the Date of Transition should be consistent with estimates made for the same date under Canadian GAAP, unless there is evidence that those estimates were an error. The Company's estimates under IFRS at the Date of Transition were consistent with those made under Canadian GAAP in accordance with IFRS 1.

All other mandatory exceptions required under IFRS 1 were not applicable to the Company

b) First-Time Adoption Exemptions Applied

Business combinations

Under this exemption, the Company can elect not to restate historic business combination transactions completed in accordance with Canadian GAAP prior to the Date of Transition.

Share-based payments

This exemption allows SRC to not apply IFRS 2, Share-based Payment ("*IFRS 2*"), to equity instruments granted after November 7, 2002 and vested before the Date of Transition.

Asset retirement obligation

This exemption allows the Company on transition to determine what the depletion of the ARO asset would have been on the measurement under IFRS when the corresponding liability was incurred.

Arrangements containing leases

The exemption allows SRC to evaluate leases at the Date of Transition rather than the date of lease inception.

Cumulative translation adjustment

Cumulative translational differences for all foreign operations with a functional currency other than the Canadian dollar may be deemed zero at transition.

Borrowing costs

The Company elected to apply IFRS relating to borrowing costs prospectively from the Date of Transition. Borrowing costs relating to qualifying assets, if any, before that date were expensed as incurred.

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c) Reconciliation between Canadian GAAP and IFRS for the consolidated statements of financial position as at January 1, 2010, March 31, 2010 and December 31, 2010.

<i>(in thousands of Canadian dollars)</i>	Jan. 1, 2010		IFRS
	Canadian GAAP	Adjustments on transition to IFRS	
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	107,085	-	107,085
Gold bullion (a)	75,392	9,450	84,842
Trade and other receivables	13,170	(472)	12,698
Farm inventory	609	-	609
Biological assets	647	-	647
Derivative financial instruments	1,210	-	1,210
	<u>198,113</u>	<u>8,978</u>	<u>207,091</u>
Investments (b)	33,750	-	33,750
Investment in Stonegate Agricom Ltd.	14,069	28	14,097
Property, plant and equipment, net of accumulated depletion, depreciation and amortization (c) (d) (h) (i)	148,589	(10,456)	138,133
Exploration and evaluation assets (c)	-	13,223	13,223
Long-term biological assets	586	-	586
Goodwill (e)	-	-	-
Deferred taxes (a) (b) (c)	13,495	(524)	12,971
Total Assets	<u>408,602</u>	<u>11,249</u>	<u>419,851</u>
<i>Liabilities</i>			
<i>Current liabilities</i>			
Trade and other payables	21,678	-	21,678
Income and capital taxes payable	252	-	252
Derivative financial instruments	-	-	-
	<u>21,930</u>	<u>-</u>	<u>21,930</u>
<i>Non-current liabilities</i>			
Bank credit facility	2,052	-	2,052
Asset retirement obligation (c) (d)	4,110	3,421	7,531
Non-controlling interest (g)	45,948	(45,948)	-
Total Liabilities	<u>74,040</u>	<u>(42,527)</u>	<u>31,513</u>
<i>Equity</i>			
Capital stock	213,747	-	213,747
Warrants	44,305	-	44,305
Contributed surplus (f)	3,357	422	3,779
	<u>261,409</u>	<u>422</u>	<u>261,831</u>
Retained earnings (a) (e) (f)	72,896	8,020	80,916
Accumulated other comprehensive income (b)	257	-	257
Equity attributable to shareholders of the Company	334,562	8,442	343,004
Equity attributable to non-controlling interest (g)	-	45,334	45,334
	<u>334,562</u>	<u>53,776</u>	<u>388,338</u>
	<u>408,602</u>	<u>11,249</u>	<u>419,851</u>

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	Mar. 31, 2010		
<i>(in thousands of Canadian dollars)</i>	Canadian GAAP	Adjustments on transition to IFRS	IFRS
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	81,069	-	81,069
Cash held in trust	2,120	-	2,120
Gold bullion (a)	75,392	8,147	83,539
Trade and other receivables	20,168	-	20,168
Farm inventory	3,818	-	3,818
Biological assets	752	-	752
Derivative financial instruments	4,316	-	4,316
	187,635	8,147	195,782
Investments (b)	40,992	5,270	46,262
Investment in Stonegate Agricom Ltd.	13,720	(246)	13,474
Property, plant and equipment, net of accumulated depletion, depreciation and amortization (c) (d) (h) (i)	170,896	(12,716)	158,180
Exploration and evaluation assets (c)	-	15,170	15,170
Long-term biological assets	1,055	-	1,055
Goodwill (e)	-	-	-
Deferred taxes (a) (b) (c)	13,558	(1,539)	12,019
Total Assets	427,856	14,086	441,942
<i>Liabilities</i>			
<i>Current liabilities</i>			
Trade and other payables	27,318	-	27,318
Income and capital taxes payable	288	-	288
Derivative financial instruments	-	-	-
	27,606	-	27,606
<i>Non-current liabilities</i>			
Bank credit facility	17,605	-	17,605
Asset retirement obligation (c) (d)	4,809	3,469	8,278
Non-controlling interest (g)	48,719	(48,719)	-
Total Liabilities	98,739	(45,250)	53,489
<i>Equity</i>			
Capital stock	213,885	-	213,885
Warrants	44,252	-	44,252
Contributed surplus (f)	4,253	538	4,791
	262,390	538	262,928
Retained earnings (a) (e) (f)	67,150	6,765	73,915
Accumulated other comprehensive income (loss) (b)	(423)	3,679	3,256
Equity attributable to shareholders of the Company	329,117	10,982	340,099
Equity attributable to non-controlling interest (g)	-	48,354	48,354
	329,117	59,336	388,453
	427,856	14,086	441,942

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	Dec. 31, 2010		
<i>(in thousands of Canadian dollars)</i>	Canadian GAAP	Adjustments on transition to IFRS	IFRS
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	91,315	-	91,315
Gold bullion (a)	75,392	30,205	105,597
Trade and other receivables	29,902	1	29,903
Farm inventory	4,403	-	4,403
Biological assets	1,556	-	1,556
Derivative financial instruments	-	-	-
	<u>202,568</u>	<u>30,206</u>	<u>232,774</u>
Investments (b)	50,315	15,742	66,057
Investment in Stonegate Agricom Ltd.	31,977	(486)	31,491
Property, plant and equipment, net of accumulated depletion, depreciation and amortization (c) (d) (h) (i)	226,075	(11,121)	214,954
Exploration and evaluation assets (c)	-	15,326	15,326
Long-term biological assets	2,633	-	2,633
Goodwill (e)	1,008	(1,008)	-
Deferred taxes (a) (b) (c)	14,235	(6,912)	7,323
Total Assets	528,811	41,747	570,558
<i>Liabilities</i>			
<i>Current liabilities</i>			
Trade and other payables	37,194	121	37,315
Income and capital taxes payable	92	-	92
Derivative financial instruments	3,432	-	3,432
	<u>40,718</u>	<u>121</u>	<u>40,839</u>
<i>Non-current liabilities</i>			
Bank credit facility	35,247	-	35,247
Asset retirement obligation (c) (d)	7,419	6,451	13,870
Non-controlling interest (g)	47,217	(47,217)	-
Total Liabilities	130,601	(40,645)	89,956
<i>Equity</i>			
Capital stock	329,589	-	329,589
Warrants	-	-	-
Contributed surplus (f)	9,859	659	10,518
	<u>339,448</u>	<u>659</u>	<u>340,107</u>
Retained earnings (a) (e) (f)	56,913	23,004	79,917
Accumulated other comprehensive income (b)	1,849	11,292	13,141
Equity attributable to shareholders of the Company	398,210	34,955	433,165
Equity attributable to non-controlling interest (g)	-	47,437	47,437
	<u>398,210</u>	<u>82,392</u>	<u>480,602</u>
	<u>528,811</u>	<u>41,747</u>	<u>570,558</u>

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d) Reconciliation between Canadian GAAP and IFRS for the consolidated statements of income for the three months ended March 31, 2010 and the year ended December 31, 2010.

<i>(in thousands of Canadian dollars)</i>	Three months ended Mar. 31, 2010		
	Canadian GAAP	Adjustments on transition to IFRS	IFRS
Oil and gas revenue	18,488	-	18,488
Oil and gas royalties	(3,462)	42	(3,420)
Farming revenue	379	-	379
Revenue	15,405	42	15,447
<i>Other income and expenses</i>			
General and administrative expense (c) (d) (f) (j)	6,077	(230)	5,847
Management fees	1,510	-	1,510
Oil and gas operating and exploration (c) (i)	6,098	70	6,168
Depreciation and depletion (c) (h) (i)	4,396	(118)	4,278
Farm production costs	565	-	565
Other farm expenses	980	-	980
Interest and other income	(27)	(4)	(31)
Gain on disposal of investments	(183)	-	(183)
Fair value adjustment to gold bullion (a)	-	1,303	1,303
Gain on dilution of investments (e)	291	(291)	-
Foreign exchange loss	22	-	22
Realized loss on derivative instruments	180	-	180
Unrealized loss on derivative instruments	1,146	-	1,146
Unrealized loss on investments held-for-trading	81	-	81
Loss on other items (j)	-	1,160	1,160
	21,136	1,890	23,026
	(5,731)	(1,848)	(7,579)
<i>Finance costs</i>			
Finance expense (d)	(230)	(57)	(287)
Equity loss in Stonegate Agricom Ltd.	(411)	-	(411)
Non-controlling interest	1,016	(1,016)	-
Loss before income tax	(5,356)	(2,921)	(8,277)
Future income tax expense (a)	(390)	163	(227)
Loss for the period	(5,746)	(2,758)	(8,504)
<i>Loss attributable to:</i>			
Shareholders of the Company	(5,746)	(1,742)	(7,487)
Non-controlling interest	-	(1,016)	(1,017)
Loss for the period	(5,746)	(2,758)	(8,504)

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	Year ended Dec. 31, 2010		
<i>(in thousands of Canadian dollars)</i>	Canadian GAAP	Adjustments on transition to IFRS	IFRS
Oil and gas revenue	90,146	-	90,146
Oil and gas royalties	(12,693)	(255)	(12,948)
Farming revenue	8,117	-	8,117
Revenue	85,570	(255)	85,315
<i>Other income and expenses</i>			
General and administrative expense (c) (d) (f) (j)	30,323	100	30,423
Management fees	6,697	-	6,697
Oil and gas operating and exploration (c) (i)	33,103	168	33,271
Depreciation and depletion (c) (h) (i)	25,894	906	26,800
Farm production costs	7,948	-	7,948
Other farm expenses	6,258	-	6,258
Interest and other income	73	(95)	(22)
Gain on disposal of investments	(3,673)	-	(3,673)
Fair value adjustment to gold bullion (a)	-	(20,755)	(20,755)
Gain on dilution of investments (e)	(10,630)	(212)	(10,842)
Foreign exchange loss	51	-	51
Realized loss on derivative instruments	666	-	666
Unrealized loss on derivative instruments	4,642	-	4,642
Unrealized loss on investments held-for-trading	110	-	110
Loss on other items (j)	-	1,160	1,160
	101,462	(18,728)	82,734
	(15,892)	18,473	2,581
<i>Finance costs</i>			
Finance expense (d)	(1,162)	(285)	(1,447)
Equity loss in Stonegate Agricom Ltd.	(4,995)	-	(4,995)
Non-controlling interest	5,606	(5,606)	-
Loss before income tax	(16,443)	12,582	(3,861)
Future income tax recovery (expense) (a)	619	(2,357)	(1,738)
Loss for the period	(15,824)	10,225	(5,599)
<i>Income attributable to:</i>			
Shareholders of the Company	(15,824)	15,411	(413)
Non-controlling interest	-	(5,186)	(5,186)
Loss for the period	(15,824)	10,225	(5,599)

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Explanatory Notes

(a) Gold bullion

Gold bullion was previously measured at historic cost under Canadian GAAP. These assets are measured at fair value under IFRS with any movement in value recognized in the statements of income (loss) and comprehensive income (loss).

Material IFRS adjustments

IFRS January 1, 2010 opening balance sheet (“OBS”): The fair value adjustment resulted in a \$9.5 million increase in gold bullion with the corresponding adjustment to retained earnings. As a result of this adjustment, the deferred tax liability increased by \$1.2 million.

IFRS as at March 31, 2010: The fair value adjustment resulted in a \$8.2 million increase in gold bullion with a corresponding adjustment of \$7.2 million to retained earnings and \$1.0 million increase to deferred tax liability.

IFRS as at December 31, 2010: The fair value adjustment resulted in a \$30.2 million increase in gold bullion with a corresponding adjustment of \$26.4 million to retained earnings and \$3.8 million to deferred tax liability.

(b) Available-for-sale investments

Available-for-sale (“AFS”) investments in private company shares were previously measured at historic cost under Canadian GAAP. Under IFRS, private company investments are carried at fair value unless fair value cannot be determined. In these situations, it should be carried at historic cost.

The Company currently holds an equity investment in the Union Agriculture Group (“UAG”). Management believes that the fair value of UAG can be determined by the price paid by independent investors. As a result, this investment is measured at fair value under IAS 39 with changes through other comprehensive income.

Material IFRS adjustments

IFRS as at March 31, 2010: The fair value adjustment resulted in a \$5.3 million increase in AFS investments with a corresponding adjustment of \$4.0 million to other comprehensive income and \$1.3 million to deferred tax liability.

IFRS as at December 31, 2010: The fair value adjustment resulted in a \$15.7 million increase in AFS investments with a corresponding adjustment of \$11.8 million to other comprehensive income and \$3.9 million to deferred tax liability.

(c) Property, Plant and Equipment (PP&E) and exploration and evaluation assets

Property, Plant and Equipment

The Company follows the successful efforts method of accounting for its oil and gas exploration and production activities, which is allowed under both Canadian GAAP and IFRS. Under IFRS, an impairment of oil and gas assets is recognized if the carrying value of the cash generating unit exceeds the recoverable amount, that is, the higher of fair value less costs to sell or value in use. Impairments recognized under IFRS are reversed when there has been a subsequent increase in the recoverable amount.

Exploration and evaluation assets

Under Canadian GAAP, the Company’s oil and gas assets were reflected as either proved or unproved properties. Both categories were included in the Company’s PP&E or capital asset balance. Under IFRS, exploration and evaluation assets are categorized as intangible assets and shown as a separate line item on the statement of financial position. The Company’s unproved properties under Canadian GAAP are reflected as exploration and evaluation assets under IFRS. The dollar impact is reflected in the statement of financial position and statement of income reconciliations presented.

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Material IFRS adjustments

IFRS OBS: Approximately \$13.5 million was reclassified from PP&E to intangible exploration and evaluation assets. The Company has determined that a portion of the deferred tax liability that was capitalized as part of the original Waseca acquisition is not permitted under IFRS. As a result, PP&E and deferred tax liabilities have been reduced by \$650,000. Finally, as a result of the fair value adjustment arising from changes in the methodology used to calculate ARO, the ARO increased by \$3.4 million with a corresponding increase in PP&E.

IFRS as at March 31, 2010: Approximately \$15.2 million was reclassified from PP&E to exploration and evaluation assets. In addition, as a result of the fair value adjustment arising from changes in the methodology used to calculate ARO, the ARO increased by \$3.4 million with a corresponding increase in PP&E.

IFRS as at December 31, 2010: Approximately \$15.3 million was reclassified from PP&E to exploration and evaluation assets. In addition, as a result of the fair value adjustment arising from changes in the methodology used to calculate ARO, the ARO increased by \$6.5 million with a corresponding increase in PP&E.

(d) Asset retirement obligation (ARO)

Under Canadian GAAP, AROs are discounted using a current credit-adjusted risk-free rate for upward adjustments and the original credit-adjusted risk-free rate for downward revisions. IFRS requires AROs to be updated at each statement of financial position date using a current pre-tax discount rate which reflects the current market assessment of the time value of money and the risks specific to the liability. The discount rate is not credit-adjusted under IFRS. In addition, the Company has identified additional obligations as a result of the wider definition of provisions under IFRS.

The Company has elected to apply the exemption from full retrospective application allowed under IFRS 1. As such, the Company has re-measured the ARO as at the Date of Transition under IAS 37, estimated the amount to be included in the related asset by discounting the liability to the date in which the liability arose using best estimates of the historical risk-adjusted discount rates, and recalculated the accumulated depreciation and amortization under IFRS.

Material IFRS adjustments

IFRS OBS: As a result of the adjustment arising from changes in the methodology used to calculate ARO, the ARO increased by \$3.4 million with a corresponding increase in PP&E.

IFRS as at December 31, 2010: As a result of the adjustment arising from changes in the methodology used to calculate ARO, the ARO increased by \$6.5 million with a corresponding increase in PP&E.

(e) Goodwill

Under Canadian GAAP, dilution gains and losses and non-controlling interest movements are recorded on all transactions where the Company has control or significant influence. Under IFRS, changes in non-controlling interest where control remains are recorded to equity.

IFRS as at December 31, 2010: The Company exercised One Earth Farms warrants which led to the re-measurement of the acquired shares at fair value. Under Canadian GAAP, this resulted in recognition of \$1.0 million in goodwill. This transaction did not result in a change of control and, as such, IFRS does not re-measure to fair value or recognize additional goodwill. This resulted in a \$1.0 million decrease in goodwill with a corresponding entry to equity.

(f) Contributed surplus and stock-based compensation

Under Canadian GAAP, the Company recognized forfeitures on share-based payments as they occurred. IFRS requires an estimate of the number of awards expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Under IFRS, each grant is accounted for on that basis.

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Material IFRS adjustments

IFRS OBS: As a result of the different methodology to calculate stock-based compensation, the Company increased contributed surplus by \$0.4 million with a corresponding reduction in retained earnings.

IFRS as at December 31, 2010: As a result of the different methodology to calculate stock-based compensation, the Company increased contributed surplus by \$0.6 million with a corresponding reduction in retained earnings.

(g) Non-controlling interest

Non-controlling interest, formerly presented as a liability component under Canadian GAAP, is presented within shareholders' equity under IFRS. As a result of retained earnings adjustments in subsidiaries Orion and Waseca, non-controlling interest has decreased by \$110,000 at the Date of Transition.

(h) Depletion, depreciation and amortization

Under both Canadian GAAP and IFRS, oil and natural gas properties are depreciated using a unit-of-production method. The cost of producing wells and development costs are amortized over proved developed reserves. License acquisition and future decommissioning costs are amortized over total proved reserves. The oil and gas reserves have been estimated by independent petroleum engineers as of December 31, 2010. Any IFRS adjustment is a result of subsequent depletion and depreciation from the PP&E differences identified in explanatory notes (c) and (d) above.

Material IFRS adjustments

As a result of the IFRS adjustment to PP&E and ARO, depreciation and depletion changed by \$1 million during 2010.

(i) Interest and other income and finance expenses

Under IFRS, interest expense and accretion expense are included as finance expenses.

Under Canadian GAAP, the AROs were measured as the estimated fair value of the retirement and decommissioning expenditures expected to be incurred and liabilities were not remeasured to reflect period-end discount rates. Under IFRS, the decommissioning provision is measured as the best estimate of the expenditure to be incurred and requires that the ARO be remeasured using the period-end discount rate. As a result of the change in the decommissioning provision, accretion expense decreased under IFRS compared to Canadian GAAP. In addition, under Canadian GAAP accretion of the discount was included in depletion and depreciation whereas under IFRS it is included in finance expenses.

These individual amounts for Canadian GAAP have been reclassified for IFRS.

(j) Orion deferred amalgamation costs and reverse takeover

Orion became a listed issuer through a reverse take-over transaction. IFRS requires unidentifiable consideration to be recognized if the consideration received by the original shareholders of the public company is greater than the fair value of the net assets acquired. As a result, Orion expensed \$1.2 million during the first quarter of 2010.

e) Statement of Cash Flows

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the Company except that, under IFRS, cash flows relating to interest are classified as operating, investing or financing in a consistent manner each period. Under Canadian GAAP, cash flows relating to interest payments were classified as operating.

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5. Farm Inventory

Inventories consist of:

<i>(in thousands)</i>	As at	
	Mar. 31, 2011	Dec. 31, 2010
Seed, fertilizer, and chemicals	\$994	\$606
Grain inventory available for sale	1,644	3,527
Cattle feed	319	270
Deferred crop production costs	1,002	-
Closing balance	\$3,959	\$4,403

6. Biological Assets

Changes during the year in livestock intended to be sold (current biological assets) are as follows:

	As at			
	Mar. 31, 2011		Dec. 31, 2010	
	<i>Quantity (#)</i>	<i>Amount (\$000's)</i>	<i>Quantity (#)</i>	<i>Amount (\$000's)</i>
Biological assets – Beginning of period	1,718	\$1,556	925	\$647
Increases due to acquisitions	-	-	122	80
Increases due to new calves	-	-	1,550	1,549
Increase due to transfer from other categories	-	-	181	170
Decreases due to impairment (loss)	(5)	(6)	(27)	(25)
Decreases due to sales	(207)	(256)	(1,033)	(1,030)
Change in fair value less estimated point-of-sale costs	-	162	-	165
Biological assets – End of period	1,506	\$1,456	1,718	\$1,556

Changes in breeding herd (long-term biological assets) carrying values and quantities are as follows:

	As at			
	Mar. 31, 2011		Dec. 31, 2010	
	<i>Quantity (#)</i>	<i>Amount (\$000's)</i>	<i>Quantity (#)</i>	<i>Amount (\$000's)</i>
Biological assets – Beginning of period	1,902	\$2,633	633	\$587
Increases due to acquisitions	2,048	2,501	1,813	2,487
Decrease due to transfer to other categories	-	-	(181)	(170)
Decreases due to impairment (loss)	(1)	(1)	(59)	(79)
Decreases due to sales	(9)	(8)	(304)	(389)
Change in fair value less estimated point-of-sale costs	-	450	-	197
Biological assets – End of period	3,940	\$5,575	1,902	\$2,633

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7. Investments

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

<i>(in thousands)</i>	Period ended	
	Mar. 31, 2011	Year ended Dec. 31, 2010
Opening balance	\$66,057	\$33,750
Acquisitions during the period	1,500	28,800
Unrealized gains (losses) on available-for-sale investments during the period	(4,592)	21,191
Impairment of investments	-	(293)
Unrealized loss on held-for-trading investments during the period	(94)	(110)
Proceeds on disposal of investments at fair market value	(5,785)	(17,281)
Closing balance at fair value	\$57,086	\$66,057

Available-for-sale public investments are measured at fair value. Available-for-sale private investments are measured at fair value unless the fair value cannot be reliably measured, and are then measured at cost. Held-for-trading investments are measured at fair value.

<i>(in thousands)</i>	As at	
	Mar. 31, 2011	Dec. 31, 2010
Public securities – common shares – available-for-sale	\$6,657	\$9,166
Public securities – warrants – held-for-trading	74	168
Private securities – common shares – available-for-sale	50,355	56,673
Total investments	\$57,086	\$66,057

8. Investment in Stonegate Agricom Ltd.

Stonegate Agricom holds mineral claims relating to the Mantaro Phosphate Project, located in Peru, and the Paris Hills property in Idaho.

The Company initially owned 60 million common shares representing an 81% interest of Stonegate Agricom. As at March 31, 2011, the Company owns 36.2% interest in Stonegate Agricom. Pursuant to a Voting Agreement, the Company has never controlled Stonegate Agricom and has equity accounted for its investment. The Company agreed to vote its Stonegate Agricom shares in favor of each nominee to the board of directors proposed by the management of Stonegate Agricom for a period of three years from the date of the IPO of Stonegate Agricom, provided that one such nominee is a representative of the Company.

In April 2010, Stonegate Agricom closed its IPO, including the underwriters' exercise of their over-allotment option, of 51,750,000 Unit at a price of \$1.00 per Unit for gross proceeds of \$52 million. Each Unit consisted of one common share ("Stonegate Common Share") and one-half of one common share purchase warrant (each whole common share purchase warrant "Stonegate Warrant"). 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 IPO, the Company subscribed for 12 million Units.

In March 2011, the Company announced the closing of a secondary offering of 25 million common shares of Stonegate Agricom by SRC at a price of \$1.75 per common share for aggregate gross proceeds of \$43.8 million and recognized a gain of \$31.2 million. After giving effect to the transaction, the Company owns 50,662,000 common shares (36.2% interest) in Stonegate Agricom.

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9. Gold Bullion

As at							
Mar. 31, 2011				Dec. 31, 2010			
Ounces (#)	Cost (\$000's)	Average cost per ounce (\$)	Fair value (\$000's)	Ounces (#)	Cost (\$000's)	Average cost per ounce (\$)	Fair value (\$000's)
73,971	\$75,392	\$1,019	\$103,006	73,971	\$75,392	\$1,019	\$105,597

10. Exploration and Evaluation Assets

Exploration and evaluation assets comprise those related to the exploration for and evaluation of oil and natural gas reserves. The following table represents the amounts included in exploration and evaluation assets and the changes during the period.

<i>(in thousands)</i>	Waseca		OEOG		Total	
	Mar. 31, 2011	Mar. 31, 2011	Mar. 31, 2011	Mar. 31, 2011	Mar. 31, 2011	Dec. 31, 2010
Balance – Beginning of period	\$11,824	\$3,502	\$15,326	\$13,539		
Additions	7,361	2,537	9,898	14,943		
Transfers to PP&E	(10,156)	-	(10,156)	(12,739)		
Dry hole costs	(486)	-	(486)	(417)		
Balance – End of period	\$8,543	\$6,039	\$14,582	\$15,326		

Orion does not carry any exploration and evaluation assets on its balance sheet as all of its oil and gas properties are classified as PP&E.

During the period ended March 31, 2011, drilling costs totalling \$0.5 million have been expensed to exploration costs as dry hole costs (\$0.4 million for period ended March 31, 2010). Dry holes comprise both wells that were deemed dry holes upon drilling completion and wells which were put into production but ultimately were not economic to produce.

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11. Property, Plant and Equipment

a) Oil and Gas PP&E

<i>(in thousands of Canadian dollars)</i>	Oil and gas properties	Processing and other equipment	Office equipment	Other	Total
<i>Cost-gross carrying amount</i>					
Balance at January 1, 2011	212,972	11,199	716	222	225,109
Additions	20,031	1,153	34	4	21,222
Transfers from intangible assets	10,156	-	-	-	10,156
Transfers to intangible assets	-	(751)	-	-	(751)
Impairment losses	-	-	-	-	-
Disposals	-	-	-	-	-
Drilling royalty credits	(1,237)	-	-	-	(1,237)
Balance at March 31, 2011	241,922	11,601	750	226	254,499
<i>Accumulated amortization</i>					
Balance at January 1, 2011	(25,364)	(452)	(223)	(71)	(26,110)
Depreciation and depletion expense	(7,570)	(151)	(61)	(11)	(7,793)
Disposals	-	-	-	-	-
Balance at March 31, 2011	(32,934)	(603)	(284)	(82)	(33,903)
Net book value – March 31, 2011	208,988	10,998	466	144	220,596
<i>Cost-gross carrying amount</i>					
Balance at January 1, 2010	124,627	8,386	318	155	133,486
Additions	80,623	4,143	398	67	85,231
Transfers from intangible assets	12,082	-	-	-	12,082
Transfers to intangible assets	-	(1,330)	-	-	(1,330)
Impairment losses	(466)	-	-	-	(466)
Disposals	(315)	-	-	-	(315)
Drilling royalty credits	(4,234)	-	-	-	(4,234)
Balance at December 31, 2010	212,317	11,199	716	222	224,454
<i>Accumulated amortization</i>					
Balance at January 1, 2010	(424)	(20)	(43)	(31)	(518)
Depreciation and depletion expense	(20,318)	(432)	(180)	(41)	(20,971)
Impairment losses	(2,252)	-	-	-	(2,252)
Disposals	16	-	-	-	16
Balance at December 31, 2010	(22,978)	(452)	(223)	(72)	(23,725)
Net book value – December 31, 2010	189,339	10,747	493	150	200,729

During 2009, the Alberta government introduced a Drilling Royalty Credit Program (“DRCP”) that provides companies with a \$200 per meter (“m”) credit on wells drilled on government, commonly referred to as Crown, lands. These credits can be applied against corporate crown royalties otherwise payable during the April 1, 2009 to March 31, 2011 period, subject to a maximum of 50% of corporate crown royalties otherwise payable for the period, less incentive amounts received under the Natural Gas Deep Drilling Program (“NGDDP”). On May 27, 2010, the Alberta government expanded its definition of wells eligible under the NGDDP to include natural gas wells with vertical depths starting at 2,000m (previously 2,500m). Orion and other producers are eligible for a crown royalty credit of \$625 per meter on wells drilled between 2,000m and 3,500m. As a result of the expanded definition, Orion’s NGDDP drilling credit claims will likely supersede DRCP claims.

Credits earned are recorded as a reduction of PP&E, with reasonable assurance that credits can be claimed in a future period. During the quarter ended March 31, 2011, Orion generated an additional \$1.3 million in claimable DRCP credits compared to \$3.8 million generated during the quarter ended March 31, 2010. During the quarter ended March 31, 2011, Orion also generated \$1.5 million of royalty credits under the NGDDP. No NGDDP credits were earned in the quarter ending March 31, 2010.

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b) Agriculture PP&E

<i>(in thousands of Canadian dollars)</i>	Buildings and leasehold improvements	Direct	Other Farm	Office equipment & information technology	Total
<i>Cost-gross carrying amount</i>					
Balance at January 1, 2011	1,026	9,881	5,349	108	16,364
Additions	119	4,102	2,797	96	7,114
Disposals	-	(38)	(4)	-	(42)
Balance at March 31, 2011	1,145	13,945	8,142	204	23,436
<i>Accumulated amortization</i>					
Balance at January 1, 2011	61	1,373	652	54	2,140
Amortization	37	512	360	22	931
Disposals	-	(1)	(1)	-	(2)
Balance at March 31, 2011	98	1,884	1,011	76	3,069
Net book value – March 31, 2011	1,047	12,061	7,131	128	20,367
<i>Cost-gross carrying amount</i>					
Balance at January 1, 2010	26	2,156	-	29	2,211
Additions	1,026	7,896	5,576	80	14,578
Disposals	(26)	(171)	(228)	-	(425)
Balance at December 31, 2010	1,026	9,881	5,348	109	16,364
<i>Accumulated amortization</i>					
Balance at January 1, 2010	1	216	-	7	224
Amortization	61	1,159	659	47	1,926
Disposals	(1)	(2)	(8)	-	(11)
Balance at December 31, 2010	61	1,373	651	54	2,139
Net book value – December 31, 2010	965	8,508	4,697	55	14,225

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12. Asset Retirement Obligation

The Company is legally required to restore its properties to their original condition. Estimated future site restoration costs are based upon engineering estimates of the anticipated method and the extent of site restoration required in accordance with current legislation and industry practices in the various jurisdictions in which the Company has properties. Orion, Waseca and OEOG have different resource assets, cost of capital and macroeconomic views. As a result of the differing views, each company may use different assumptions in calculating the ARO related to their properties.

The assumptions used by Orion, Waseca and OEOG to calculate the ARO related to oil and gas properties are as follows:

	Orion	Waseca	OEOG
	Mar. 31, 2011	Mar. 31, 2011	Mar. 31, 2011
Discount rate (%)	3.6	2.9	2.75
Inflation rate (%)	1.8	2	2
Life of wells (years)	2 to 30	7	7

Future undiscounted liability (\$000's)

The future undiscounted amount of ARO is estimated at \$27.3 million. All accretion expenses related to ARO are included within finance expense.

A summary of the Company's ARO is as follows:

	Orion	Waseca	OEOG	Total	Total
<i>(in thousands)</i>	Mar. 31, 2011	Mar. 31, 2011	Mar. 31, 2011	Mar. 31, 2011	Dec. 31, 2010
ARO – Beginning of period	\$11,810	\$1,973	88	\$13,871	\$7,531
Provisions acquired through acquisitions	-	-	-	-	973
Provisions incurred during the period	441	713	38	1,192	2,743
Provisions settled during the period	(44)	-	-	(44)	-
Revisions (change in discount rate)	(423)	(25)	-	(448)	519
Revisions (change in estimates)	(45)	-	-	(45)	1,696
Accretion expense during the period	94	20	-	114	318
ARO – End of period	\$11,833	\$2,681	\$126	14,640	\$13,780

13. Bank Credit Facility

On March 25, 2011, Orion replaced its \$60.0 million revolving credit facility with a \$100.0 million committed syndicated revolving credit facility and a \$20.0 million committed operating facility (together the "Credit Facilities"). The Credit Facilities are revolving facilities with term-out provisions with the initial revolving period ending on May 30, 2012. If the Credit Facilities are not renewed they will convert to 365-day term loans. Amounts drawn under these Credit Facilities are in the form of Canadian and U.S. prime rate based loans, bankers' acceptances, LIBOR loans or letters of credit. The Credit Facilities bear interest at the prime rate, bankers' acceptance rate or LIBOR plus a spread determined by Orion's debt-to-EBITDA ratio. Orion realized an effective interest rate of 4.3% for the period ended March 31, 2011 (March 31, 2010: 4.0%). The Credit Facilities are collateralized by a first priority security interest on all present and after acquired property of the Company.

<i>(in thousands)</i>	Mar. 31, 2011	Dec. 31, 2010
Balance – Beginning of period	\$35,247	\$2,052
New debt	14,853	42,716
Repayment of debt	(2)	(9,521)
Balance – End of period	\$50,098	\$35,247
Current portion	-	-
Non-current portion	\$50,098	\$35,247

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On January 17, 2011, Waseca obtained a credit facility totalling \$12.5 million with a Canadian chartered bank. The facility is a revolving operating demand loan bearing interest at the bank's prime rate plus a range of 0.75% to 2.50% per annum. The range of interest rates on the facilities is based on a grid system which is dependent on Waseca's trailing debt to funds flow ratio ranging from less than 1:1 to greater than 3:1. Waseca also incurs standby fees on the undrawn portion of the facilities of 0.20% to 0.45% per annum based on the same grid system, and both interest and standby fees are payable monthly. As at June 7, 2011, Waseca had not drawn on this facility.

The facilities are secured by a general assignment of book debts and a \$50 million debenture with a floating charge over all assets of the Company with a negative pledge and undertaking to provide fixed charges on the Waseca's producing properties at the request of the bank.

14. Shareholders' Equity

a) Authorized

Unlimited common shares with no par value.

The holders of the common shares are entitled to one vote per share and are entitled to dividends, when and if declared by the directors of the Company, and to the distribution of the residual assets of the Company in the event of the liquidation, dissolution or winding-up of the Company. No dividends have ever been declared or paid as at March 31, 2011.

b) Issued and Outstanding

	Common shares (#)	Amount (\$000's)
Balance – January 1, 2010	96,191,427	\$213,747
Exercise of warrants	15,857,451	67,394
Fair value of warrants exercised	-	42,339
Exercise of stock options	100,000	175
Fair value of stock options exercised	-	104
Capital stock issued for investment purchase	1,327,005	(156)
Normal course issuer bid – repurchase of capital stock (Note 14e)	(70,000)	5,986
Balance – December 31, 2010	113,405,883	329,589
Normal course issuer bid – repurchase of capital stock (Note 14e)	(29,100)	(85)
Balance – March 31, 2011	113,376,783	\$329,504

c) Stock Options

The maximum number of shares available under the Company's stock option plan is limited to 5% of the issued common shares at the time of granting of options. Subject to any employment contracts, each option grant is exercisable as to 33 1/3% on a cumulative basis, at the end of each of the first, second and third years following the date of grant. The maximum option term cannot exceed ten years, subject to extension in the event that the expiry date falls within a "blackout" period.

	Three months ended Mar. 31, 2011		Year ended Dec. 31, 2010	
	Options (#)	Weighted avg. exercise price (\$)	Options (#)	Weighted avg. exercise price (\$)
Balance – Beginning of period	270,000	\$3.71	250,000	\$2.59
Granted	-	-	120,000	4.41
Exercised	-	-	(100,000)	1.75
Balance – End of period	270,000	\$3.71	270,000	\$3.71

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The fair value of stock options granted was estimated as at the grant date using the Black-Scholes option pricing model. A nil% forfeiture rate was used to estimate the Company's stock-based compensation expense for the three months ended March 31, 2011 (March 31, 2010: nil%). The assumptions used in determining the most recent stock options granted on August 17, 2010 are noted below:

	Aug. 17, 2010
Risk-free interest rate (%)	3.32
Expected life (years)	5
Expected volatility (%)	39.8
Fair value per option (\$)	\$1.68

The following table summarizes information about the Company's stock options outstanding and exercisable at March 31, 2011 and December 31, 2010:

Exercise price (\$)	As at					
	Mar. 31, 2011			Dec. 31, 2010		
	Options (#)	Weighted avg. remaining contractual life (years)	Options exercisable (#)	Options (#)	Weighted avg. remaining contractual life (years)	Options exercisable (#)
\$3.32	75,000	2.41	50,000	75,000	2.66	50,000
\$2.98	75,000	3.42	25,000	75,000	3.67	25,000
\$4.14	120,000	4.38	-	120,000	4.63	-
\$3.15	270,000	3.57	75,000	270,000	3.82	75,000

Compensation expense for the three months ended March 31, 2011 was \$48,000 (2010: \$32,000), all of which has been recorded in general and administrative expense.

d) Share Warrants

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

	Three months ended Mar. 31, 2011			Year ended Dec. 31, 2010		
	Warrants (#)	Weighted avg. exercise price (\$)	Fair value amount (\$000's)	Warrants (#)	Weighted avg. exercise price (\$)	Fair value amount (\$000's)
	Balance – Beginning of period	-	-	-	16,594,284	4.25
Warrants exercised	-	-	-	(15,857,451)	4.25	(42,338)
Warrants expired	-	-	-	(736,833)	4.25	(1,967)
Balance – End of period	-	-	-	-	-	-

The outstanding warrants to acquire common shares expired on December 31, 2010.

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e) Normal Course Issuer Bid

On August 30, 2010, the Company received approval from the TSX to begin a Normal Course Issuer Bid (“NCIB”) to repurchase and cancel up to 7.0 million common shares, representing 9.38% of the unrestricted public float and 7.237% of the total number of issued and outstanding shares at that time. During the first quarter of 2011, the Company purchased and cancelled 29,100 common shares under the NCIB. The impact was a reduction of \$45,000 to retained earnings and a reduction of \$85,000 to capital stock. 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.

f) The Waseca Stock Option Plan

The maximum number of shares available under the Waseca Stock Option Plan (the “Waseca Plan”) is limited to 10% of the issued common shares of Waseca at the time of granting of options. Subject to any employment contracts, each outstanding option grant is exercisable as to 33 1/3% on a cumulative basis, at the end of each of the first, second and third years following the date of grant. The maximum option term cannot exceed five years.

	As at			
	Options (#)	Mar. 31, 2011 Weighted avg. exercise price (\$)	Options (#)	Dec. 31, 2010 Weighted avg. exercise price (\$)
Balance – Beginning of period	5,964,762	\$0.60	2,524,400	\$0.60
Granted	175,000	0.60	3,506,362	0.60
Forfeited	-	0.60	(66,000)	0.60
Balance – End of period	6,139,762	\$0.60	5,964,762	\$0.60

The fair value of the stock options granted during the period under the Waseca Plan is estimated at the grant date using the Black-Scholes option pricing model. A 3% forfeiture rate was used to estimate the Waseca’s stock-based compensation expense for the three months ended March 31, 2011 (March 31, 2010: 3%). The assumptions used in the calculation are noted below:

Risk-free interest rate	2.2% to 3.1%
Expected life	5 years
Expected volatility	40% to 50%
Fair value per option	\$0.23 to \$0.28

The following table summarizes information about Waseca’s stock options outstanding under the Waseca Plan at March 31, 2011:

Exercise price (\$)	As at					
	Options (#)	Weighted avg. remaining contractual life (years)	Options exercisable (#)	Options (#)	Weighted avg. remaining contractual life (years)	Options exercisable (#)
\$0.60	6,139,762	3.4	2,452,934	5,964,762	3.6	1,591,467

Waseca recorded stock-based compensation expense relating to stock options of \$85,000 for the three months ended March 31, 2011 (2010: \$127,000), all of which has been recorded in general and administrative expense.

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g) Waseca Performance Shares

The following table summarizes the activity during the period for Waseca's Performance Shares, which are only releasable upon a liquidity event:

	As at			
	Mar. 31, 2011		Dec. 31, 2010	
	Shares (#)	Weighted avg. conversion price (\$)	Shares (#)	Weighted avg. conversion price (\$)
Balance – Beginning of period	11,135,420	\$0.60	4,923,800	\$0.60
Granted	-	0.60	6,343,620	0.60
Forfeiture	-	0.60	(132,000)	0.60
Balance – End of period	11,135,420	\$0.60	11,135,420	\$0.60

The fair value of the performance warrants granted is estimated at the grant date using the binomial option pricing model. A nil% forfeiture rate was used to estimate Waseca's stock-based compensation expense for the three months ended March 31, 2011 (March 31, 2010: nil%). Waseca assumed that, for the purposes of estimating the expense, a transaction event had occurred and included 100% of the performance warrants when calculating the value of the stock-based compensation expense. The assumptions used in the calculation are noted below:

Risk-free interest rate	2.2% to 3.1%
Expected life	2 – 4 years
Expected volatility	40%
Fair value per option	\$0.05 to \$0.18

Transaction value ¹ (\$)	As at					
	Mar. 31, 2011			Dec. 31, 2010		
	Performance Shares outstanding (#)	Weighted avg. remaining contractual life (years)	Options convertible (#)	Performance Shares outstanding (#)	Weighted avg. remaining contractual life (years)	Options convertible (#)
\$0.69	2,783,855	3.4	-	2,783,855	3.6	-
\$0.90	2,783,855	3.4	-	2,783,855	3.6	-
\$1.20	2,783,855	3.4	-	2,783,855	3.6	-
\$1.50	2,783,855	3.4	-	2,783,855	3.6	-
	11,135,420	3.4	-	11,135,420	3.6	-

1. Above table denotes transaction value required to trigger option to convert to common shares at \$0.60 per Performance Share. A transaction event occurs when Waseca's share price exceeds the prices noted in the above table resulting from liquidation or a public transaction. As at March 31, 2011, neither a liquidity event nor a public transaction had occurred.

Waseca recorded stock-based compensation expense relating to performance warrants of \$71,000 for the three months ended March 31, 2011 (2010: \$62,000), all of which has been recorded in general and administrative expense.

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h) Orion Stock Option Plan

Orion has a stock option plan (the “Orion Option Plan”) available to directors, officers, employees, consultants and other service providers. Under the Orion Option Plan, the number of common shares to be reserved and authorized for issuance pursuant to options granted under the Orion Option Plan cannot exceed 10% of the total number of issued and outstanding shares. The term and the vesting period of any options granted are determined at the discretion of the board of directors. The maximum term for options granted is five years. The exercise price of the options cannot be less than the five-day volume weighted average trading price of the common shares immediately preceding the day the option is granted.

The continuity of the Orion Option Plan issued and outstanding is as follows:

	As at			
	Mar. 31, 2011		Dec. 31, 2010	
	Options	Weighted avg. exercise price	Options	Weighted avg. exercise price
	(#000's)	(\$)	(#000's)	(\$)
Balance – Beginning of period	14,437	\$1.08	-	\$-
Granted	4,580	1.00	16,162	1.07
Forfeiture	(1,267)	1.33	(1,725)	1.01
Balance – End of period	17,750	\$1.04	14,437	\$1.08

The fair value of the stock options granted during the period under the Orion Option Plan is estimated at the grant date using the Black-Scholes option pricing model. A 2.5% forfeiture rate was used to estimate Orion’s stock-based compensation expense for the three months ended March 31, 2011 (March 31, 2010: nil%).

The assumptions used in the Black-Scholes option pricing model calculation are noted below:

Risk-free interest rate	2.5%
Expected life	4.1 years
Expected volatility	56%
Expected dividend rate	-

The following table summarizes information about Orion’s stock options outstanding under the Orion Option Plan at March 31, 2011:

Exercise price (\$)	As at					
	Mar. 31, 2011			Dec. 31, 2010		
	Options	Weighted avg. contractual life	Options exercisable	Options	Weighted avg. contractual life	Options exercisable
	(#000's)	(years)	(#000's)	(#000's)	(years)	(#000's)
\$0.93 - \$0.99	680	4.7	-	685	4.9	-
\$1.00 - \$1.10	13,825	4.2	3,121	9,407	4.0	-
\$1.11 - \$1.25	2,505	4.0	353	2,505	4.2	-
\$1.25 - \$1.36	740	4.0	13	1,840	4.2	-
	17,750	4.1	3,487	14,437	4.2	-

Orion recorded stock-based compensation expense of \$0.2 million for the three months ended March 31, 2011 (2010: \$0.9 million), all of which has been recorded as a general and administrative expense. In addition, share-based payment expense of \$0.02 million was capitalized during the three months ended March 31, 2011 while \$0.05 million was capitalized during the same period in 2010.

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i) Orion Performance Warrants

Orion has awarded \$20.3 million performance warrants (“Orion Performance Warrants”) to certain employees, of which 11.6 million warrants vested immediately while the remaining warrants vest based on certain public market conditions and current price market conditions.

The continuity of the Orion Performance Warrants issued and outstanding is as follows:

	As at			
	Warrants (#000's)	Mar. 31, 2011 Weighted avg. exercise price (\$)	Warrants (#000's)	Dec. 31, 2010 Weighted avg. exercise price (\$)
Balance – Beginning of period	20,246	\$0.50	20,246	\$0.50
Granted	-	-	-	-
Balance – End of period	20,246	\$0.50	20,246	\$0.50

The Orion Performance Warrants were measured at their fair value on the date of the grant using a Black-Scholes pricing model or a binomial model, and the resulting share-based payment expense recognized over the related vesting period. Orion recorded share-based payment recovery of \$215,000 for the three months ended March 31, 2011 (March 31, 2010: \$964,000 expense). A 4.7% forfeiture rate was used to estimate Orion’s share-based payment expense for the three months ended March 31, 2011 (March 31, 2010: nil%).

The weighted average fair value of the unvested warrants granted in 2009 was \$1.28 per warrant, determined with the following assumptions:

Risk-free interest rate	3.0%
Expected life	3.6 years
Expected volatility	90%
Expected dividend rate	-

The following table summarizes information about Orion’s Performance Warrants outstanding at March 31, 2011:

Exercise price (\$)	As at					
	Options (#000's)	Weighted avg. remaining contractual life (years)	Options exercisable (#000's)	Options (#000's)	Weighted avg. remaining contractual life (years)	Options exercisable (#000's)
\$0.50	20,246	3.6	11,569	20,246	3.8	11,569

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j) The One Earth Farms Stock Option Plan

The maximum number of shares available under the One Earth Farms Stock Option Plan (the “OEF Plan”) is limited to 10% of the issued common shares of One Earth Farms at the time of granting of options. Subject to any employment contracts, each outstanding option grant is exercisable as to 33 1/3% on a cumulative basis, at the end of each of the first, second and third years following the date of grant. The maximum option term cannot exceed five years.

	As at			
	Options (#)	Mar. 31, 2011 Weighted avg. exercise price (\$)	Options (#)	Dec. 31, 2010 Weighted avg. exercise price (\$)
Balance – Beginning of period	-	\$-	-	\$-
Granted	3,633,506	1.00	-	-
Forfeited	-	-	-	-
Balance – End of period	3,633,506	\$1.00	-	\$-

The fair value of the stock options granted during the period under the OEF Plan is estimated at the grant date using the Black-Scholes option pricing model. A 2.5% forfeiture rate was used to estimate One Earth Farms’ stock-based compensation expense for the three months ended March 31, 2011 (March 31, 2010: nil%). The assumptions used in the calculation are noted below:

Risk-free interest rate	1.33%
Expected life	7 years
Expected volatility	34%
Fair value per option	\$0.38

The following table summarizes information about One Earth Farms’ stock options outstanding under the OEF Plan at March 31, 2011:

Exercise price (\$)	As at					
	Options (#)	Weighted avg. remaining contractual life (years)	Options exercisable (#)	Options (#)	Weighted avg. remaining contractual life (years)	Options exercisable (#)
\$1.00	3,633,506	6.9	-	-	-	-

One Earth Farms recorded stock-based compensation expense of \$733,000 for the three months ended March 31, 2011 (2010: \$nil), all of which has been recorded in general and administrative expense.

15. Related Party Transactions

a) Purchase of Goods and Services

The Company entered into the following transactions with related parties during the three months ended March 31, 2011:

- Management fees of \$2.3 million (March 31, 2010 - \$1.5 million) were incurred, which are payable to Sprott Consulting Limited Partnership (“SCLP”), an entity with directors and officers in common.

Transactions with related parties are recorded at 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.

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b) Key Management Compensation

Compensation for services paid or payable to the four executive officers and three independent directors of the Company is shown below:

<i>(in thousands)</i>	Three months ended	
	Mar. 31, 2011	Mar. 31, 2010
Compensation paid by SCLP relating to services provided to the Company	\$390	\$543
Other employment benefits	1	2
Director fees earned	32	33
Director stock-based compensation	48	32
	\$471	\$610

16. Earnings per Share

a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity owners of the Company by the weighted average number of shares outstanding during the three-month period.

	Three months ended	
	Mar. 31, 2011	Mar. 31, 2010
Net earnings available to shareholders of the Company <i>(in thousands)</i>	\$16,121	(\$7,487)
Weighted average number of shares <i>(in thousands)</i>	113,380	96,193
Basic earnings (loss) per share	\$0.14	(\$0.08)
Basic earnings (loss) per share from continuing operations	\$0.14	(\$0.08)

b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive shares. The potentially dilutive shares relate to share options and warrants. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the exercise prices of outstanding share options, share purchase warrants and convertible debentures. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Three months ended	
	Mar. 31, 2011	Mar. 31, 2010
Net diluted earnings available to equity owners <i>(in thousands)</i>	\$16,121	(\$7,487)
Weighted average number of shares in issue <i>(in thousands)</i>	113,380	96,193
Effect of dilutive securities		
Incremental shares from share options <i>(in thousands)</i>	29	538
Weighted average diluted shares outstanding <i>(in thousands)</i>	113,409	96,731
Diluted earnings (loss) per share	\$0.14	\$(0.08)
Diluted earnings (loss) per share from continuing operations	\$0.14	\$(0.08)

The equity securities excluded from the computation of diluted earnings per share, because the exercise prices exceeded the average market value of the common shares, was \$240,000 (2010: \$70.7 million) for the three months ended March 31, 2011.

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17. Finance Expense

<i>(in thousands)</i>	Three months ended	
	Mar. 31, 2011	Mar. 31, 2010
Interest expense	\$922	\$203
Provisions: accretion of ARO	114	84
Total finance expense	\$1,036	\$287

Orion became a listed issuer through a reverse take-over transaction. IFRS requires unidentifiable consideration to be recognized if the consideration received by the original shareholders of the public company is greater than the fair value of the net assets acquired. As a result, Orion expensed \$1.2 million during the first quarter of 2010.

18. Segment Information

The Company operates within three industry segments: energy, agriculture and corporate.

A summary of the statement of financial position, by industry segment, is as follows:

Segmented summary of Statement of Financial Position

	Energy	Agriculture	Corporate and other	As at Mar. 31, 2011
Current assets	33,865	58,948	187,784	280,597
Property, plant and equipment	235,177	20,368	-	255,545
Other long-term assets	13,065	6,592	68,036	87,693
	<u>282,107</u>	<u>85,908</u>	<u>255,820</u>	<u>623,835</u>
Current liabilities	34,572	1,672	2,629	38,873
Long-term liabilities	64,738	-	-	64,738
	<u>99,310</u>	<u>1,672</u>	<u>2,629</u>	<u>103,611</u>
Equity	141,344	56,835	253,191	451,370
Total equity attributable to shareholders	<u>141,344</u>	<u>56,835</u>	<u>253,191</u>	<u>451,370</u>
Non-controlling interest	41,453	27,401	-	68,854
	<u>282,107</u>	<u>85,908</u>	<u>255,820</u>	<u>623,835</u>

<i>(in thousands of Canadian dollars)</i>	Energy	Agriculture	Corporate and other	3 months ended Mar. 31, 2011	3 months ended Mar. 31, 2010
Revenue	27,282	1,490	-	28,772	15,448
Other					
General and administrative expense	(4,047)	(1,897)	(665)	(6,609)	(5,847)
Management fees	-	-	(2,290)	(2,290)	(1,510)
Costs of production	(20,108)	(622)	-	(20,730)	(10,701)
Other farm expense	-	(1,847)	-	(1,847)	(649)
Crop costs of production and fair value adjustments	-	(1,439)	-	(1,439)	(565)
Fair value adjustment to biological assets	-	335	-	335	(77)
Gain (loss) on disposal of investments	-	-	32,903	32,903	183
Fair value adjustment to gold bullion	-	-	(2,591)	(2,591)	-
Finance costs	(1,036)	-	-	(1,036)	(287)
Interest income	20	-	62	82	31
Unrealized loss on derivative instruments	(3,795)	-	-	(3,795)	-
Other income and expenses	(2,493)	226	(4,920)	(7,187)	(4,530)
Net loss for the period	<u>(4,177)</u>	<u>(3,754)</u>	<u>22,499</u>	<u>14,568</u>	<u>(8,504)</u>

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A summary of the statements of income, by industry segment, is as follows:

	Energy	Agriculture	Corporate and other	3 months ended Mar. 31, 2011	3 months ended Mar. 31, 2010
	3 months ended Mar. 31, 2011				
Capital tax expense	-	-	-	-	37
Office and administration	944	441	334	1,719	1,844
Professional fees	245	49	229	523	1,092
Salaries and wages	2,471	1,407	54	3,932	1,279
Stock-based compensation	387	-	48	435	1,265
	<u>4,047</u>	<u>1,897</u>	<u>665</u>	<u>6,609</u>	<u>5,847</u>

19. Commitments

<i>(in thousands)</i>	Payments Due by Period						
	Total	2011	2012	2013	2014	2015	2016+
	\$	\$	\$	\$	\$	\$	\$
Bank loan - principal (a)	50,078	-	-	50,078	-	-	-
Bank loan - interest (a)	5,643	2,077	2,518	1,049	-	-	-
Derivative financial instruments (b)	7,227	7,227	-	-	-	-	-
Farm leases (c)	20,733	3,886	3,558	2,528	2,469	2,113	6,178
Operating leases (d)	5,572	1,265	1,311	1,282	1,048	589	77
Equipment lease	1,434	1,228	141	65	-	-	-
	<u>90,687</u>	<u>15,683</u>	<u>7,528</u>	<u>55,002</u>	<u>3,517</u>	<u>2,702</u>	<u>6,255</u>

Explanatory Notes

(a) Bank loan – principal and interest

As at March 31, 2011, Orion had drawn down \$50.1 million on its Credit Facilities. Additional information on the Credit Facilities can be found in Note 13.

(b) Derivative financial instruments

Orion uses derivative financial instruments to manage its exposure to movements in oil and gas prices. These instruments are not used for trading or speculative purposes. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are remeasured at their fair value at each subsequent reporting date. Derivatives are carried as assets when their fair value is positive and as liabilities when the fair value is negative. Transaction costs are recognized in profit or loss when incurred. Orion has not designated its financial derivative contracts as effective accounting hedges, and thus not applied hedge accounting. As at March 31, 2011, the carrying value of Orion's derivative financial instrument was a \$7.2 million liability.

(c) Farm leases

Farm leases encompass contractual agreements with First Nations regarding the rental of cultivated land for growing crops and the farming of hay. The term of the lease agreements ranges between five years to seven 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 specific parcel of land. The fair value determination rate of the land is 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.

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(d) Premises leases

On November 1, 2010, the Company entered into a sublease for office space in downtown Toronto. The sublease expires December 31, 2013. The estimated aggregate annual rent obligations are \$154,000 in 2011 through to 2013. In addition, the Company is responsible for \$240,000 of leasehold improvements and furniture rentals related to the subleased premises.

Orion has entered into a premises lease for office space in Calgary, Alberta. The lease commenced August 1, 2010 for a five-year term and has an estimated annual cost of \$895,000.

One Earth Farms has entered into an operating premises lease for office space in Saskatoon, Saskatchewan. The lease commenced May 31, 2010 for a five-year term. The estimated aggregate annual rent obligations are \$154,000 in 2011 through to 2014 and \$77,000 in 2014.

Waseca has entered into a premises lease for office space in Calgary, Alberta. The lease commenced December 1, 2008 for a three-year term and has an estimated annual cost of \$292,000 for 2011.

OEOG has entered into a sublease lease for office space in Calgary, Alberta. The sublease has a remaining term of 12 months. The estimated annual rent obligation is \$85,000 for 2011 and \$29,000 for 2012.

(e) SRC Management Services Agreement

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 (up to a maximum of 12%). 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. Additional information on fees payable under the MSA can be found in “*Impact on the MSA under the transition to IFRS*” in the Company’s Management Discussion and Analysis of Financial Position and Results of Operations, dated June 7, 2011 and available on Sedar at www.sedar.com.

(f) One Earth Farms Management Services Agreement

On December 22, 2009, One Earth Farms entered into a 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 (as defined in the OEF MSA), the OEF MSA currently has no incremental 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. On December 31, 2010, One Earth Farms and SCLP terminated the OEF MSA and Fee Abatement to simplify the One Earth Farms’ capital structure.

20. Subsequent Events

a) SRC

On June 7, 2011 the independent directors passed a resolution to account for the differences that have occurred due to the adoption of IFRS for the calculation of the annual management fee, annual incentive fee and hurdle (as defined in the MSA).

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b) Stonegate Agricom

On April 6, 2011, the Company announced that the underwriters of the \$43.8 million secondary offering of common shares of Stonegate Agricom exercised their over-allotment option in full, resulting in the sale by SRC of an additional 3.8 million common shares at a price of \$1.75 per share for additional aggregate gross proceeds to SRC of \$6,562,500.

After giving effect to the above transaction, SRC currently holds 46.9 million common shares of Stonegate Agricom, representing an approximate 33% interest in Stonegate Agricom on an undiluted basis (approximately 28% on a fully diluted basis).

c) One Earth Farms

On May 2, 2011, One Earth Farms completed the second tranche of the previously announced private placement (the “Private Placement”). The Private Placement consisted of the issuance and sale of 2.8 million common shares, resulting in gross proceeds of \$3.9 million. In addition, the agent exercised its over-allotment option, resulting in the sale by One Earth Farms of a further 3.2 million common shares at a price of \$1.40 per share for additional aggregate gross proceeds to One Earth Farms of approximately \$4.5 million.

After giving effect to the above transactions, SRC currently holds 60 million common shares of One Earth Farms, representing an approximate 58% interest in One Earth Farms on an undiluted basis.

d) One Earth Farms

On June 1, 2011, One Earth Farms completed its acquisition of a turn-key farming operation, Farm Corp., in east-central Alberta. Through the acquisition of Farm Corp., One Earth Farms acquired approximately 23,000 acres of leased crop land from privately held landholders and 9,500 acres of First Nation land, \$10.6 million of selected farming equipment, a building machine shop with parts and tools and two grain elevators with a total storage capacity of 400,000 bushels. The weighted average duration of the farm leases is 2.5 years. The sole proprietor of Farm Corp. has joined One Earth Farms in a farm management role and will assist with general farming operations and development of additional lands available for lease in the region. The expansion of One Earth Farms operations into a new geographic zone further mitigates weather-related risks during the cropping season, provides significantly more flexibility to field operations from a labour, equipment and weather perspective and presents an opportunity to target additional domestic processing markets for malting barley, canola and oats. The 32,500 acres have been under sub-lease by One Earth Farms since May 3, 2011 and have been included in the quoted farm acres under administration for the quarter ended March 31, 2011.

The purchase price was satisfied by the payment of \$11.9 million, less any adjustments during the holdback period.

e) Orion

On May 11, 2011, the Company announced that Orion has entered into an arrangement agreement (the “Arrangement Agreement”) with WestFire Energy Ltd. (“Westfire”) (TSX: WFE) whereby WestFire will acquire all of the issued and outstanding shares of Orion at a ratio of eight Orion shares for each WestFire share (the “Transaction”). The merger of the two companies will create a uniquely positioned intermediate-sized producer focusing on the world-class Viking oil resource in Alberta and west central Saskatchewan.

The Company, which currently controls approximately 71% of the Orion shares on a fully diluted basis, has agreed to elect to receive WestFire non-voting shares to the extent that will result in SRC not owning more than 19.9% (or less than 19%) of the basic WestFire shares outstanding at closing of the Transaction. The Company will own approximately 34% of WestFire on a fully diluted basis and will be the largest shareholder (including the voting common shares and non-voting shares). The Transaction will be completed by way of a Plan of Arrangement and is subject to customary TSX, court and regulatory approvals and the requisite approval of WestFire and Orion shareholders. Closing of the Transaction is expected to occur in late June or early July 2011.