

Sprott Resource Corp.

Consolidated Financial Statements

December 31, 2009 and 2008

(expressed in Canadian dollars)

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Sprott Resource Corp. (the "Company") have been prepared by and are the responsibility of the management of the Company. The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgement based on currently available information.

The Audit Committee of the Board of Directors, consisting of three independent directors, meets periodically with management and the independent auditors to review the scope and results of the annual audit, and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board for approval.

The Company's independent auditors, PricewaterhouseCoopers LLP, who are appointed by the shareholders, conducted an audit in accordance with Canadian generally accepted auditing standards. Their report outlines the scope of their audit and gives their opinion on the consolidated financial statements.

Management has developed and maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded, transactions are authorized and financial information is accurate and reliable.

(signed) Kevin Bambrough

(signed) Stephen Yuzpe

Kevin Bambrough
President and Chief Executive Officer

Stephen Yuzpe
Chief Financial Officer

March 29, 2010

Auditors' Report

To the Shareholders of Sprott Resource Corp.

We have audited the consolidated balance sheets of Sprott Resource Corp. as at December 31, 2009 and 2008 and the consolidated statements of operations and retained earnings, comprehensive income and accumulated other comprehensive income, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia
March 29, 2010

Sprott Resource Corp.
 Consolidated Balance Sheets
 For the years ended December 31, 2009 and 2008

(expressed in Canadian dollars)

	Dec. 31, 2009	Dec. 31, 2008
	\$000's	\$000's
Assets		
Current Assets		
Cash and cash equivalents	107,085	45,264
Gold and silver bullion (note 5)	75,392	61,930
Short-term investments (note 6)	-	158,283
Accounts receivable	7,500	-
Note receivable (note 10)	-	610
Prepaid and other receivables	5,520	2,050
Crop and livestock inventory (note 11)	1,256	-
Derivative financial instruments (note 23)	1,210	-
	<u>197,963</u>	<u>268,137</u>
Investments (note 7)	33,750	28,564
Investment in Stonegate Agricom Ltd. (note 10)	14,069	11,731
Loans and promissory notes receivable	150	150
Mining claims and deferred exploration	-	305
Property, plant and equipment, net of accumulated depletion, depreciation and amortization (note 13)	148,589	5,399
Long term livestock assets (note 11)	586	-
Future income tax assets (note 18)	13,495	-
	<u>408,602</u>	<u>314,286</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	21,678	5,618
Income and capital tax payable	252	16,328
	<u>21,930</u>	<u>21,946</u>
Long term debt (note 8)	2,052	-
Asset retirement obligation (note 14)	4,110	75
Future income tax liability (note 18)	-	535
	<u>28,092</u>	<u>22,556</u>
Non-controlling interest (note 15)	45,948	6,974
Shareholders' Equity		
Capital stock (note 16b)	213,747	163,217
Warrants (note 16d)	44,305	45,036
Contributed surplus (note 16i)	3,357	400
	<u>261,409</u>	<u>208,653</u>
Retained earnings	72,896	80,623
Accumulated other comprehensive income (loss)	257	(4,520)
	<u>334,562</u>	<u>284,756</u>
	<u>408,602</u>	<u>314,286</u>
Commitments (note 21)		
Subsequent events (note 24)		

Approved by the Board of Directors

(signed) Michael Winn

(signed) Terrence A. Lyons

Director

Director

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

Sprott Resource Corp.

Consolidated Statements of Operations and Retained Earnings For the years ended December 31, 2009 and 2008

(expressed in Canadian dollars)

	2009	2008
	\$000's	\$000's
Revenue		
Oil and gas revenue	12,043	44
Oil and gas royalties	(2,156)	(6)
Farming revenue	2,720	-
	<u>12,607</u>	<u>38</u>
Other income and expenses		
General and administrative expense (note 20)	(17,174)	(3,903)
Management fees (notes 19 and 21)	(5,945)	(3,888)
Management incentive fees (notes 19 and 21)	-	(35,698)
Oil and gas operating and exploration	(9,128)	(351)
Farm production costs	(3,139)	-
Interest on long term debt	(498)	-
Gains on disposal of investments (note 7)	6,531	5,320
Gains on disposal of PBS Coals Limited shares	-	166,785
Impairment of investments	-	(2,531)
Gain on disposal of silver bullion (note 5)	10,140	-
Gain on dilution from investments (notes 9, 10, 11 and 12)	2,304	11,653
Foreign exchange gain (loss)	(222)	143
Interest and other income	1,090	2,468
Realized gain on derivative instruments (note 23)	2,045	-
Unrealized loss on derivatives instruments (note 23)	(1,926)	-
Unrealized loss on investments held for trading (note 7)	(464)	-
Write down of mining claims and deferred exploration	(467)	(627)
	<u>(16,853)</u>	<u>139,371</u>
Earnings (loss) before income taxes	<u>(4,246)</u>	<u>139,409</u>
Provision for income taxes		
Current income tax recovery (expense) (note 18)	-	(16,122)
Future income tax recovery	529	77
	<u>529</u>	<u>(16,045)</u>
Equity earnings of PBS Coals Limited	-	11,164
Equity loss of Stonegate Agricom Ltd. (note 10)	(1,427)	(625)
Non-controlling interest (note 15)	2,163	325
Net income (loss) for the period	<u>(2,981)</u>	<u>134,228</u>
Retained earnings - Beginning of period	<u>80,623</u>	<u>(49,880)</u>
Share buy back (note 16e)	(4,746)	(3,725)
Retained earnings - End of period	<u>72,896</u>	<u>80,623</u>
Basic earnings (loss) per share	(0.03)	1.94
Fully diluted earnings (loss) per share	(0.03)	1.93
Weighted average shares outstanding during the period		
Basic	85,328,868	69,240,480
Fully diluted	85,372,217	69,663,134

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

Sprott Resource Corp.

Consolidated Statements of Comprehensive Income and Accumulated Other Comprehensive Income For the years ended December 31, 2009 and 2008

(Unaudited – expressed in Canadian dollars)

	2009	2008
Net earnings (loss) for the period before other comprehensive income	(2,981)	134,228
Unrealized gains (losses) on available for sale investments (note 7)	10,860	(517)
Gains on disposal of investments	(6,531)	(5,320)
Future income taxes on available for sale investments	(36)	-
Stonegate unrealized losses on available for sale investments, net of tax	-	(484)
Stonegate realized losses on available for sale investments (note 10), net of tax	484	-
Comprehensive income for the period, net of tax	<u>1,796</u>	<u>127,907</u>
Accumulated other comprehensive income (loss) – beginning of period	(4,520)	1,801
Unrealized gains (losses) on available for sale investments (note 7)	10,860	(517)
Gains on disposal of investments	(6,531)	(5,320)
Future income taxes on available for sale investments	(36)	-
Stonegate unrealized losses on available for sale investments, net of tax	-	(484)
Stonegate realized losses on available for sale investments (note 10), net of tax	484	-
Accumulated other comprehensive income – end of period, net of tax	<u>257</u>	<u>(4,520)</u>

The accompanying notes are an integral part of these financial statements

Sprott Resource Corp.

Consolidated Statement of Cash Flows

For the years ended December 31, 2009 and 2008

(expressed in Canadian dollars)

	2009 \$000's	2008 \$000's
Cash flows from (used in) operating activities		
Net income (loss) for the period	(2,981)	134,228
Items not affecting cash		
Gain on disposal of investments	(6,531)	(5,320)
Gain on disposal of silver bullion	(10,140)	-
Unrealized loss on derivative instruments	1,926	-
Unrealized losses on investments held for trading	464	-
Gain on dilution from PBS Coals Limited	-	(7,801)
Gain on disposal of PBS Coals Limited shares	-	(166,785)
Gain on dilution from investments (includes Stonegate)	(2,304)	(3,853)
Equity loss of Stonegate Agricom Ltd.	1,427	624
Equity earnings of PBS Coals Limited	-	(11,164)
Impairment of investments	-	2,532
Depletion, depreciation and amortization	3,339	28
Asset retirement obligation accretion	64	-
Future income tax recovery	(529)	-
Non-controlling interest	(2,163)	(325)
Stock-based compensation	3,673	43
Write down of mining claims and deferred exploration	467	627
	<u>(13,288)</u>	<u>(57,166)</u>
Changes in non-cash operating working capital		
Change in prepaids and other receivables	(715)	(1,252)
Change in crop and livestock inventory	(1,256)	-
Change in accounts receivable and note receivable	(3,412)	(609)
Change in accounts payable and accrued liabilities	(252)	4,557
Change in taxes payable	(16,184)	16,328
	<u>(35,107)</u>	<u>(38,142)</u>

Consolidated Statement of Cash Flows continued on next page

Sprott Resource Corp.

Consolidated Statement of Cash Flows For the years ended December 31, 2009 and 2008

(Unaudited – expressed in Canadian dollars)

	2009	2008
	\$000's	\$000's
Cash flows from (used in) investing activities		
Purchase of short-term investments	(72,445)	(158,283)
Proceeds of short-term investments matured/sold	230,728	-
Purchase of bullion	(36,195)	(61,930)
Proceeds on sale of bullion	32,873	-
Promissory notes receivable	-	(150)
Deferred exploration expenditures	-	(882)
Purchase of investments	(19,074)	(76,809)
Proceeds on sale of investments	24,284	57,213
Purchase of PBS Coals Limited shares	-	(24,447)
Proceeds on sale of PBS Coals Limited shares	-	240,685
Purchase of property, plant and equipment	(17,797)	(2,115)
Waseca acquisition (net of cash acquired)	-	4,550
Investment in Stonegate Agricom Ltd.	(1,806)	(1,465)
Initial investment in Auriga and related transaction costs (net of cash acquired)	(2,406)	-
Investment in biological assets	(586)	-
	<u>137,576</u>	<u>(23,633)</u>
Cash flows from (used in) financing activities		
Financing in One Earth Farms Corp.	14,584	-
Financing in Orion Oil & Gas	7,976	-
Change in long-term debt	(60,448)	-
Proceeds from exercise of options	117	-
Proceeds from issuance of capital stock	-	92,641
Proceeds from exercise of warrants	8,332	-
Repurchase of capital stock	(11,209)	(19,685)
	<u>(40,648)</u>	<u>72,956</u>
Change in cash and cash equivalents	61,821	11,181
Cash and cash equivalents – Beginning of period	45,264	34,083
Cash and cash equivalents – End of period	<u>107,085</u>	<u>45,264</u>
Cash and cash equivalents are comprised of:		
Cash	97,689	35,295
Short-term investments	9,396	9,969
	<u>107,085</u>	<u>45,264</u>

Supplemental cash flow information (note 17)

The accompanying notes are an integral part of these financial statements

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Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(expressed in Canadian dollars)

1 Organization and nature of operations

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

The primary purpose of the Company is to invest in the natural resource sector through acquisitions, joint ventures and the creation of new companies. As at December 31, 2009, the Company consolidates the operations of its subsidiaries including, Orion Oil & Gas Ltd. ("Orion Ltd."), Waseca Energy Inc. ("Waseca"), One Earth Farms Corp. ("One Earth Farms") and One Earth Oil & Gas Inc. ("One Earth Oil & Gas"). In addition, the Company equity accounts for Stonegate Agricom Ltd. ("Stonegate Agricom").

Orion Ltd. was incorporated under the Alberta Business Corporations Act on September 22, 2009. On October 20, 2009, Orion Ltd. concluded the acquisition of Auriga Energy Inc. ("Auriga"), a company primarily engaged in the exploration, development and operation of oil and gas interests in Western Canada. Subsequent to year end, Orion Ltd. amalgamated with a wholly owned subsidiary of Wintraysan Capital Corp. ("Wintraysan"), a Canadian reporting issuer. Wintraysan changed its name to Orion Oil & Gas Corporation ("Orion Corp.") on January 8, 2010. On January 22, 2010 Orion Ltd. amalgamated with its parent Orion Corp. and continued under the name Orion Corp. As at December 31, 2009, the Company owns 79.3% of Orion Ltd.'s issued and outstanding common shares.

Waseca was incorporated under the Alberta Business Corporations Act 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. As at December 31, 2009, the Company owns 79.14% of Waseca's issued and outstanding common shares.

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. As at December 31, 2009, the Company owns 66.7% of One Earth Farms' issued and outstanding common shares.

One Earth Oil & Gas was incorporated under the CBCA on April 25, 2008. One Earth Oil & Gas focuses, among other things, on developing oil and gas properties on First Nations land in Western Canada. As at December 31, 2009, the Company owns 100% of One Earth Oil & Gas' issued and outstanding common shares.

Stonegate Agricom is a private 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 its Paris Hills Property, a phosphate deposit in Idaho U.S.A. As at December 31, 2009, the Company owns 72.6% of Stonegate Agricom's issued and outstanding common shares.

During 2009, the Company completed the sale of all the common shares held of the L-S Alliance in exchange for a 0.5% royalty interest in the Mantaro phosphate deposit owned by Stonegate Agricom. Subsequent to year end, the Company sold the royalty interest to Stonegate for 50,000 common shares at a deemed price of \$1.25 per common share (\$62,500). Consequently, the Company has ceased to consolidate the financial statements of the L-S Alliance.

Sprott Resource Corp.

Notes to the Consolidated Financial Statements

December 31, 2009 and 2008

(expressed in Canadian dollars)

2 Significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) and reflect the following accounting policies.

a. Principles of consolidation

The consolidated financial statements include the accounts of the Company and those of its subsidiaries which the Company controls. Business acquisitions are accounted for under the purchase method and the results of operations of these businesses are included in the consolidated financial statements from the acquisition date. All significant inter-company transactions and balances have been eliminated. Investments in companies subject to significant influence are accounted for using the equity method.

b. Estimates by management

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

The Company uses estimates to calculate 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 judgements 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.

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(expressed in Canadian dollars)

c. Foreign currency

The reporting and functional currency for the Company is the Canadian dollar.

Foreign currency transactions and amounts relating to the Company's foreign operations included in these consolidated financial statements are translated using the temporal method of accounting. Under this method, monetary assets and liabilities are translated at the rate of exchange prevailing at the end of the period. Non-monetary assets and liabilities are translated at the rates of exchange prevailing when the assets were acquired or the liabilities incurred. Revenue and expense items are translated using the average rate of exchange during the financial statement periods, except for depreciation and amortization which are translated at historic rates. Gains and losses resulting from the translation of transactions and balances denominated in foreign currencies are included in the determination of net income.

d. Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments held in the form of Government of Canada Treasury Bills. Cash and cash equivalents are designated as held for trading and recorded at the balance sheet at fair value, which approximates cost plus accrued interest.

e. Gold and silver bullion

Gold and silver bullion ("Bullion") is carried on the balance sheet at the lower of cost and net realizable value. A decline in the value of Bullion below cost, due to market conditions, will be charged to income with subsequent increases in value reflected in the carrying value to the maximum of the original cost. An assessment of net realizable value is made at each balance sheet date. When the net realizable value declines below cost, a write down is recorded.

f. Short-term investments

Short-term investments are liquid Canadian dollar denominated investments in Government of Canada treasury bills with original terms to maturity of greater than three months but not more than one year. Short-term investments are designated as held-for-trading and recorded at fair value with realized and unrealized gains and losses reported in the statements of operations.

g. Oil and gas properties

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

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

Capitalized costs of producing oil and gas properties, after considering estimated salvage values, are depreciated and depleted over proved developed reserves using the unit of production method. Acquisition costs of probable reserves are not depleted or amortized while under active evaluation for commercial reserves. Costs are transferred to depletable costs

Sprott Resource Corp.

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(expressed in Canadian dollars)

as proved reserves are recognized. The oil and gas reserves have been estimated by independent petroleum engineers as of December 31, 2009.

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

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

h. Mining claims and deferred exploration

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

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

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

i. Property, plant and equipment

Office equipment, furniture and fixtures are carried at cost. Amortization is computed using the straight-line method over the estimated useful lives of one to thirty years.

Gains or losses on disposal of capital assets are credited or charged to operations in the year in which the sale occurs. Expenditures for repair and maintenance are charged directly to current year operations. Expenditures that serve to increase the value of a tangible asset are capitalized and written-off over the remaining useful life of the improved asset.

Depreciation and amortization 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.

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j. Asset retirement obligations (“ARO”)

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

At each balance sheet date, management reviews estimates and if there are any adjustments, they will be applied on a prospective basis, and will result in an increase or decrease to the ARO. Any difference between the actual costs incurred and the recorded liability is recorded as a gain or loss in the statements of operations in the period in which the settlement occurs.

k. Non-controlling interests

Non-controlling interests exist in less than wholly-owned subsidiaries of the Company and represent the outside interest’s share of the carrying values of the subsidiaries. When the subsidiary company issues its own shares to outside interests and the Company does not participate in the issuance, a dilution gain or loss arises as a result of the difference between the Company’s share of the proceeds and the carrying value of the underlying equity.

l. Income taxes

The Company applies the asset and liability method of measuring income taxes based on temporary differences between the financial reporting and tax bases of assets and liabilities. Future income tax assets and liabilities are measured using substantively enacted tax rates. Future income tax assets are recognized only to the extent that management determines that it is more likely than not that the future income tax asset will be realized.

m. Comprehensive income

Comprehensive income includes both net earnings (loss) and other comprehensive income (“OCI”). OCI includes certain gains and losses which must be temporarily presented outside of net earnings (loss) such as holding gains and losses on available-for-sale (“AFS”) investments which are not included in the calculation of net earnings (loss) until realized. Cumulative changes in OCI are included in Accumulated Other Comprehensive Income (“AOCI”), which is presented as a category of shareholders’ equity on the balance sheet.

n. Earnings (loss) per share

Earnings (loss) per share are determined using the weighted average number of shares outstanding during the year. Diluted earnings (loss) per share are determined using the treasury stock method. Under this method, the dilutive effect of earnings (loss) per share is recognized on the use of proceeds that could be obtained from exercise of the options, warrants and similar instruments. It assumes that proceeds would be used to purchase common shares at the average market price during the period.

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(expressed in Canadian dollars)

o. Financial instruments, recognition, measurement, disclosure and presentation

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

The Company has designated its financial instruments as follows:

- Cash and cash equivalents and short-term investments as held-for trading, which are measured at fair value.
- Receivables included in prepaids and other are designated as loans and receivables, which are measured at amortized cost.
- Portfolio investments include public and privately held investments have been designated as AFS. Unrealized holding gains and losses relating to AFS investments are excluded from net income and included in OCI until such gains or losses are realized or an other than temporary impairment is determined to have occurred. AFS securities are measured at fair value and those which do not have a readily determinable fair value (i.e. a quoted market price in an active market) are carried at historical cost. Publicly held investments are reported at fair value based on quoted market prices with unrealized gains or losses reported as OCI. Privately held investments are reported at cost. AFS securities are recorded using the settlement-date accounting.
- Warrants of public and private company investments (included in the portfolio investments) are derivatives and accordingly are held-for-trading and are measured at fair value. Changes in the fair values of derivative instruments are recognized in net income.
- Derivative instruments, including embedded derivatives, are recorded on the balance sheet at fair value. Changes in the fair values of derivative instruments are recognized in net income.
- Accounts payable and accrued liabilities are designated as other financial liabilities, which are measured at amortized cost.

p. Revenue recognition

Oil and gas sales

Revenue from the sale of crude oil is recognized when delivery has taken place and the significant risks and rewards of the crude oil have passed to the buyer and the amount of revenue can be reliably measured. Sales revenue does not include indirect taxes (excise, GST, and royalties) and is stated at the net amount (after discounts and pipeline losses).

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(expressed in Canadian dollars)

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

Orion and Waseca have also established stock option plans (collectively “Subsidiary Plans” and individually the “Orion Plan” and “Waseca Plan”) and performance share plans (collectively “Subsidiary Performance Shares” and individually “Orion Performance Shares” and “Waseca Performance Shares”) for the benefit of its 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 operations 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.

3 Adoption of new accounting standards and farm accounting policies

Financial instruments - disclosures – Section 3862

Financial instrument disclosures were amended to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements for publicly accountable enterprises and other entities that choose to apply this Section. Financial instruments, where fair value is recognized in the balance sheet, have been prioritized into three levels in accordance with the fair value hierarchy included in Canadian GAAP. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs other than quoted prices included in level one that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level three includes inputs for the asset or liability that are not based on observable market data.

The amendments apply to annual financial statements for years ending after September 30, 2009. The adoption of Section 3862 resulted in additional disclosures as provided in note 2p “*Financial instruments, recognition, measurement, disclosure and presentation*” and note 22 “*Financial Instruments*”.

Goodwill and intangible assets – Section 3064

Effective January 1, 2009, the Canadian Institute of Chartered Accountants (“CICA”) issued the new Handbook Section 3064, Goodwill and Intangible Assets, which replaced Section 3062, Goodwill and Other Intangible Assets. The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. There has been no impact, upon adoption, in the consolidated financial statements.

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Farm inventory – Section 3031

a) Grain Inventory

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

b) Cattle Inventory

Cattle inventory consists of yearling calves and are valued at net realizable value calculated by reference to industry compiled market information.

c) Purchased Inventory

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

Farm Revenue Recognition – Section 3400

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

Credit Risk and Fair Value of Financial Assets and Liabilities

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

Mining Exploration Costs

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

4 Future accounting and reporting changes

Business combinations, consolidated financial statements and non-controlling interest

In January 2009, The CICA issued CICA Handbook Section 1582, Business Combinations, Section 1601, Consolidations, and Section 1602, Non-controlling Interests. These sections replace the former CICA Handbook Section 1581, Business Combinations and Section 1600, Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting for a business

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combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

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

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

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

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

5 Gold and silver bullion

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

Bullion	Ounces	As at December 31, 2009			Ounces	As at December 31, 2008		
		Cost \$000's	Average cost per ounce \$	Fair value \$000's		Cost \$000's	Average cost per ounce \$	Fair value \$000's
Gold	73,971	75,392	1,019	84,842	40,475	39,197	968.00	43,437
Silver	-	-	-	-	1,783,013	22,733	12.75	24,606
		75,392		84,842		61,930		68,043

During 2009, the Company sold its entire 1.783 million ounce silver bullion position at a price of \$18.44 per ounce, resulting in a gain on disposition of \$10.1 million.

6 Short-term Investments

At December 31, 2009, the Company did not hold any short-term investments.

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

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

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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%.

	Year Ended Dec. 31, 2009 \$000's	Year Ended Dec. 31, 2008 \$000's
Opening balance	28,564	11,767
Acquisitions during the year	19,074	76,809
Unrealized gains (losses) on available for sale securities during the year	10,860	(517)
Impairment of investments	-	(2,532)
Unrealized loss on held for trading securities during the year	(464)	-
Proceeds on disposal of investments at fair market value	(24,284)	(57,213)
Deconsolidation of a subsidiary	-	250
Closing balance at fair value	33,750	28,564

Available for sale public investments are measured at fair value. Available for sale private investments are measured at cost. Held for trading investments are measured at fair value.

Investments (\$000's)	Classification	Year Ended Dec. 31, 2009 \$000's	Year Ended Dec. 31, 2008 \$000's
		Public Securities – common shares	\$17,815
Public Securities – warrants	Held for trading	552	119
Private Securities – common shares	Available for sale	15,221	16,013
Private Securities – warrants	Held for trading	162	162
Total Investments		\$33,750	\$28,564

8 Bank Credit Facility

Orion has a credit facility with a Canadian chartered bank which is comprised of a \$50 million revolving term-out facility; the first revolving period will end on December 8, 2010. On December 8, 2010, Orion can obtain an offer of extension. In the situation that they cannot obtain an offer of extension, then this revolving facility turns into a 365 day non-revolving term facility. Amounts drawn under this facility can take the form of Canadian and US prime rate based loans, bankers' acceptances, LIBOR loans or letters of credit. The facility bears interest at the prime rate, bankers' acceptance rate or at LIBOR plus a spread above the reference rate between 1.75 percent and 5.50 percent per annum. This facility is collateralized by a first priority security interest on all present and after acquired property of Orion Oil & Gas (North America) Ltd. As at December 31, 2009, \$2.0 million was outstanding under this facility. Orion paid a \$350 thousand set up fee for this loan. This fee has been expensed.

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9 Investment in Waseca Energy Inc.

During 2008, the Company purchased 45.3 million common shares of Waseca for an aggregate purchase price of \$27.2 million (\$0.60 per share) representing 79.72% of Waseca's outstanding common shares. The transaction was accounted for as an acquisition of assets and liabilities using the purchase method. The Company's interest in Waseca has been diluted down to 79.0% as Waseca has issued additional shares to external parties. Waseca currently has 57.4 million shares issued and outstanding and 64.8 million fully diluted (see notes 16f "The Waseca Stock Option Plan" and note 16g "Waseca Performance Shares" for additional information on the dilutive securities). The company recorded dilution gain of \$3 thousand on the Investment in Waseca in 2009. The results of Waseca's operations have been included in the consolidated financial statements from the date of acquisition. Waseca is a private Canadian oil and gas company whose primary focus is heavy oil production from the Lloydminster area near the border between Alberta and Saskatchewan.

10 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. Pursuant to a Voting Agreement, the Company does not control Stonegate Agricom and has equity accounted for its investment. 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 (3) years from the date of the IPO of Stonegate Agricom, provided that one such nominee is a representative of the Company.

During 2008, the Company loaned Stonegate Agricom US\$500 thousand to assist in the purchase of mining properties (the "Loan"). During the second quarter of 2009, the Company and Stonegate Agricom signed a debt settlement agreement pursuant to which the Company agreed to discharge the Loan in consideration for 1,112,000 common shares of Stonegate Agricom. The Company subscribed for 2.5 million shares (\$1.25 million) in Stonegate Agricom's fourth quarter financing to support the acquisition of the Paris Hills property in Idaho.

The Company's interest in Stonegate Agricom has been diluted down to 72.6% as Stonegate Agricom has issued additional shares to external parties. The Company has recorded a gain dilution of \$1.5 million on the investment in 2009.

A summary of 100% of the assets and liabilities of Stonegate Agricom as at December 31, 2009 and the results of operations for the period ending December 31, 2009 are as follows:

	As at Dec. 31, 2009 \$000's	As at Dec. 31, 2008 \$000's
Assets		
Total current assets	3,432	5,525
Total non-current assets	20,295	14,018
	<u>23,727</u>	<u>19,543</u>
Liabilities		
Total current liabilities	336	709
Total non-current liabilities	4,014	3,975
	<u>4,350</u>	<u>4,684</u>
Shareholder's Equity		
Share capital	21,695	15,939
Contributed surplus	324	324
Accumulated other comprehensive loss	-	(612)
Deficit	(2,642)	(792)
	<u>23,727</u>	<u>19,543</u>

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	Year Ended Dec. 31, 2009 \$000's	Year Ended Dec. 31, 2008 \$000's
Revenue	16	33
Expenses	(1,990)	(748)
Loss before income taxes	(1,974)	(714)
Future income taxes	124	(78)
Loss for the period	(1,850)	(792)
Company's share of equity loss of Stonegate Agricom	(1,427)	(625)

The investment in Stonegate Agricom is as follows:

	2009 \$000's
Balance – beginning of period	11,731
Share of loss for the period	(1,427)
Acquisitions	1,806
Gain on dilution from Stonegate Agricom Ltd.	1,475
Share of accumulated other comprehensive income	484
Balance – end of period	14,069

11 One Earth Farms Corp.

One Earth Farms began farming operations on First Nations' farmland in the Province of Saskatchewan. During 2009, the Company invested \$27.5 million in One Earth Farms through the purchase of 30 million units. Each unit entitles the Company to one common share of One Earth Farms and one common share purchase warrant exercisable for \$1.00 for a period of five years, expiring on March 3, 2014.

In 2009, One Earth Farms recorded \$2.7 million of revenue from the delivery and sale of canola and wheat. Production costs for the crops delivered and sold were \$3.1 million.

	Year Ended Dec. 31, 2009 \$000's
Farm revenue	2,720
Production costs ¹	(3,139)
Gross profit (loss) on farming operations	(419)

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

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One Earth Farm's inventory is as follows:

	Dec. 31, 2008				Dec. 31, 2009
	Opening Balance	Additions	Production Costs ¹	Inventory Write-Down	Closing Balance
	\$000's	\$000's	\$000's	\$000's	\$000's
Canola	-	2,527	(2,527)	-	-
Barley	-	310	-	(155)	155
Wheat	-	766	(233)	(219)	314
Yearling calves ¹	-	649	(2)	-	647
Hay and greenfeed	-	203	(63)	-	140
Crop & livestock inventory	-	4,455	(2,825)	(374)	1,256

1. Long-term livestock assets consist of \$586 thousand of cattle.

The Company's interest in One Earth Farms has been diluted down to 66.7% as One Earth Farms has issued 15 million common shares for gross proceeds of \$15 million to external parties. The Company has recorded a gain dilution of \$1.6 million on the investment in 2009.

12 Investment in Orion Oil and Gas Ltd.

On September 25, 2009, the Company, through its subsidiary Orion, purchased 8.0 million common shares of Auriga at \$0.44 per share for \$3.5 million. Concurrently, the Company entered into an agreement which closed October 20, 2009 ("Acquisition Agreement") whereby Orion acquired all of the remaining issued and outstanding common shares of Auriga. As consideration for this transaction Orion issued 42.4 million common shares for \$18.7 million and transferred to the Auriga shareholders 13.8 million common shares of the Company valued at \$47.8 million.

Under the terms of the Acquisition Agreement, each shareholder of Auriga received 0.3 of an Orion common share and 0.0979 of the Company's common share for each 1 common share of Auriga held. The Orion shares were valued at \$0.44 per share and the Company's shares were valued at \$3.45 per share, which is the fair market value of the related shares on the announcement date of the Acquisition Agreement.

Concurrent with the acquisition, Orion completed a \$61.5 million private placement in Auriga for 139.8 million Auriga common shares. In tandem with this private placement, Orion issued 139.8 million common shares valued at \$0.44 each, of which, 122.3 million were issued to the Company for \$53.8 million and 17.5 million were issued to management and associates of Orion and to former shareholders of Auriga for \$7.7 million. As a result of the private placement, a dilution loss of \$0.8 million was recorded.

The transactions described above resulted in Orion's acquisition of 100% of Auriga. The Company owns 79.3% of the outstanding common shares of Orion and consolidates Orion beginning October 20, 2009.

A non-controlling interest has been recognized in the consolidated balance sheet comprising 20.7% of assets acquired. Similarly, a non-controlling interest of 20.7% of Orion's adjusted net income is recognized in the Statements of Operations.

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The acquisition was accounted for as a business combination with the preliminary purchase price allocation for Auriga is as follows:

<u>Purchase price</u>	CAD\$(000s)
SRC common shares	47,824
Cash	3,500
Acquisition costs-paid by the Company	812
	52,136
<hr/>	
<u>Assets acquired</u>	
Cash and cash equivalents	1,906
Prepays and receivables	6,237
Derivative financial instruments	2,955
Long-term derivative financial instruments	183
Property, plant and equipment, net of accumulated depletion, depreciation and amortization	118,580
Future income tax assets	13,423
Accounts payable and accrued liabilities	(6,339)
Bank loan	(62,500)
Asset retirement obligation	(3,631)
	70,814
	<hr/>
Non-controlling interest	(18,678)
	52,136

Cash cost of the acquisition was \$4.3 million less cash acquired of \$1.9 million. Immediately following the acquisition \$60.5 million of the bank loan was repaid.

13 Property, plant and equipment

	As at December 31, 2009		
	Cost	Accumulated depletion and depreciation	Net book value
	\$000's	\$000's	\$000's
Oil and gas properties and equipment	149,645	(3,061)	146,584
Farm equipment	2,210	(223)	1,987
Other property, plant and equipment	38	(20)	18
	151,893	(3,304)	148,589

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	As at December 31, 2008		
	Cost	Accumulated depletion and depreciation	Net book value
	\$000's	\$000's	\$000's
Oil and gas property and equipment	5,438	(39)	5,399
Farm equipment	-	-	-
Other property, plant and equipment	-	-	-
	5,438	(39)	5,399

14 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 and Waseca have different resource assets, cost of capital and macroeconomic views. As a result, each company may use different assumptions in calculating the ARO related to their properties.

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

	Orion 2009	Waseca 2009
Discount rate	9%	7%
Life of wells (years)	1 - 30	7
Future undiscounted liability (\$000's)	14,303	523

The future undiscounted amount of ARO is estimated at \$14.8 million. All accretion expenses related to ARO are included within depreciation, depletion and amortization.

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

	Orion 2009 \$000's	Waseca 2009 \$000's	Total 2009 \$000's	Total 2008 \$000's
Liability – December 31, 2008	-	75	75	-
Increase through acquisitions, net of dispositions	3,631	-	3,631	-
Incurred during the period	90	-	90	-
Increase due to new wells drilled	-	250	250	75
Accretion	55	9	64	-
Liability – December 31, 2009	3,776	334	4,110	75

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15 Non-controlling interest

A summary of the Company's non-controlling interests are as follows:

	Year Ended Dec. 31, 2009 \$000's	Year Ended Dec. 31, 2008 \$000's
Balance – beginning of period	6,974	14
Acquisition of Auriga (note 12)	18,678	-
Acquisition of Waseca (note 9)		7,114
Financing in Orion Oil and Gas (note 12)	7,976	
Orion contributed surplus	728	-
Financing in One Earth Farms Corp. (note 11)	14,584	
Current operations	(2,163)	(325)
(Gain) Loss on dilution	(829)	171
Balance – end of period	45,948	6,974

	Orion \$000's	Waseca \$000's	One Earth Farms \$000's	Other \$000's	Total \$000's
Balance – December 31, 2008	-	6,547	-	427	6,974
Acquisition of Auriga (note 12)	18,678	-	-	-	18,678
Financing in Orion Oil and Gas (note 12)	7,976	-	-	-	7,976
Orion contributed surplus	728	-	-	-	728
Financing in One Earth Farms Corp. (note 11)	-	-	14,584	-	14,584
Current operations	(674)	(1,062)	-	(427)	(2,163)
(Gain) loss on dilution	758	-	(1,587)	-	(829)
Balance – December 31, 2009	27,466	5,485	12,997	-	45,948

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16 Shareholders' equity

a) Authorized

Unlimited common shares with no par value.

The holders of the common shares are entitled to one vote per share. The holders of the common shares 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 December 31, 2009.

b) Issued and outstanding

	Number of common shares	Amount \$000's
Balance – December 31, 2007	50,627,950	115,744
Exercise of warrants	36,933,970	91,971
Fair value of warrants exercised	-	6,955
Exercise of stock options	474,000	670
Fair value of stock options exercised	-	438
Fair value of incentive warrants	-	(44,305)
Normal course issuer bid – repurchase of capital stock	(8,000,000)	(15,961)
Shares issued – Mantaro acquisition	1,771,309	7,705
Miscellaneous cancelation of common shares	(5)	-
	<hr/>	<hr/>
Balance - December 31, 2008	81,807,224	163,217
Exercise of warrants	3,332,800	8,332
Fair value of warrants exercised	-	631
Exercise of stock options	90,000	117
Fair value of stock options exercised	-	88
Capital stock issued in Orion transaction (note 12)	13,852,803	47,824
Normal course issuer bid – repurchase of capital stock (note 16(e))	(2,891,400)	(6,462)
Balance – December 31, 2009	<hr/> <u>96,191,427</u>	<hr/> <u>213,747</u>

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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 becomes exercisable as to 33 1/3% on a cumulative basis, at the end of each of the first, second and third years following the date of grant. The maximum option term shall not exceed ten years, subject to extension in the event that the expiry date falls within a "blackout" period.

	As at December 31, 2009		As at December 31, 2008	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance – beginning of year	265,000	2.04	741,000	1.81
Granted	75,000	2.98	75,000	3.32
Exercised	(90,000)	1.30	(474,000)	1.41
Canceled or expired	-	-	(77,000)	4.97
Balance – end of year	250,000	2.59	265,000	2.04

During 2009, 75,000 stock options (2008 – 75,000) were granted to independent directors of the Company at a strike price of \$2.98 per share and 90,000 stock options were exercised at \$1.30 per share. There were no stock option cancellations or expiries.

The fair value of stock options granted was estimated as at the grant date using the Black-Scholes option pricing model. The assumptions used are noted below:

	2009	2008
Risk-free interest rate	2.69%	3.03%
Expected life	5 years	5 years
Expected volatility	75%	176%
Fair value per option	\$ 1.86	\$3.20

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

Exercise price (\$)	As at December 31, 2009			As at December 31, 2008		
	Number of options	Weighted average remaining contractual life (years)	Number of options exercisable	Number of options	Weighted average remaining contractual life (years)	Number of options exercisable
1.30	-	-	-	90,000	0.60	90,000
1.75	100,000	0.44	100,000	100,000	1.44	100,000
3.32	75,000	3.65	25,000	75,000	4.65	-
2.98	75,000	4.67	-	-	-	-
	250,000	2.67	125,000	265,000	2.04	190,000

Compensation expense for 2009 was \$95 thousand (2008 – \$27 thousand), all of which has been recorded in general and administrative expense.

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(expressed in Canadian dollars)

d) Share warrants

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

	As at December 31, 2009			As at December 31, 2009		
	Number of Warrants	Weighted average exercise price \$	Fair value amount \$000's	Number of Warrants	Weighted average exercise price \$	Fair value amount \$000's
Balance – beginning of period	20,449,714	3.92	45,036	40,877,127	2.49	7,686
Warrants exercised at \$2.50	(3,332,800)	2.50	(632)	(36,144,570)	2.50	(6,955)
Expired at \$2.50	(522,630)	2.50	(99)	-	2.50	-
Warrants exercised at \$2.05	-	-	-	(789,400)	2.05	-
Expired at \$2.05	-	-	-	(87,727)	2.05	-
Warrants issued under incentive program	-	-	-	16,594,284	4.25	44,305
Balance – end of period	16,594,284	4.25	44,305	20,449,714	3.92	45,036

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

e) Normal Course Issuer Bid

On August 21, 2009, the Company announced a normal course issuer bid (“NCIB”) to repurchase for cancellation a maximum of 6.25 million of its issued and outstanding common shares within one year. During the year ended December 31, 2009, 2.9 million common shares with an aggregate cost of \$11.2 million (average cost of \$3.86 per common share including trading commissions) were repurchased under this NCIB. This resulted in \$6.5 million being recorded as a reduction to share capital and \$4.7 million as a reduction in retained earnings. These shares were cancelled and returned to treasury prior to December 31, 2009.

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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 becomes exercisable as to 33 1/3% on a cumulative basis, at the end of each of the first, second and third years following the date of grant. The maximum option term shall not exceed five years.

	As at December 31, 2009		As at December 31, 2008	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance – beginning of year	2,250,000	0.60	-	-
Granted	274,400	0.60	2,250,000	0.60
Balance – end of year	2,524,400	0.60	2,250,000	0.60

On January 8, 2010, Waseca awarded an additional 2,550,400 options exercisable at \$0.60 per option.

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

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

The following table summarizes information about Waseca’s stock options outstanding under the Waseca Plan at December 31, 2009:

Exercise price (\$)	Number of options	As at December 31, 2009		As at December 31, 2008		Number of options exercisable
		Weighted average remaining contractual life (years)	Number of options exercisable	Number of options	Weighted average remaining contractual life (years)	
0.60	2,524,400	3.75	750,000	2,250,000	4.75	-

Compensation expense under the Waseca Plan for year ended December 31, 2009 was \$68 thousand (2008 - \$16 thousand), 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:

	Number of shares	Weighted average conversion price \$
Balance – December 31, 2008	4,450,000	0.60
Granted	473,800	0.60
Balance – December 31, 2009	4,923,800	0.60

On January 8, 2010, Waseca issued an additional 4,975,800 performance shares bearing the same conversion terms and conversion price as described above.

Transaction value ¹ (\$)	As at December 31, 2009			As at December 31, 2008		
	Number of Performance Shares outstanding	Weighted average remaining contractual life (years)	Number of Performance Shares convertible	Number of Performance Shares outstanding	Weighted average remaining contractual life (years)	Number of Performance Shares convertible
0.69	1,230,950	3.75	-	1,112,500	4.75	-
0.90	1,230,950	3.75	-	1,112,500	4.75	-
1.20	1,230,950	3.75	-	1,112,500	4.75	-
1.50	1,230,950	3.75	-	1,112,500	4.75	-
	4,923,800	3.75	-	4,450,000	4.75	-

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

As of December 31, 2009, neither a liquidity event nor a public transaction had occurred and therefore the fair value of the Performance Shares have not been recognized in these financial statements.

h) The Orion Stock Option Plan

Orion has awarded 20.3 million performance warrants to certain employees, of which 11.6 million warrants vested immediately while the remaining warrants vest based on certain public market conditions and current price market conditions. The plan is administered by the Board of Directors of Orion.

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The continuity of performance warrants issued and outstanding is as follows:

	As at December 31, 2009	
	Number of warrants	Weighted average exercise price \$
Balance – beginning of year	-	-
Granted	20,245,873	0.50
Balance – end of year	20,245,873	0.50

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

Risk-free interest rate	3.00%
Expected life	5 years
Expected volatility	90%
Fair value per option	\$0.303

The following table summarizes information about Orion's stock options outstanding under the Orion Plan at December 31, 2009:

Exercise price (\$)	Number of options	As at December 31, 2009	
		Weighted average remaining contractual life (years)	Number of options exercisable
0.50	20,245,873	4.75	11,569,068

Compensation expense under the Orion Plan for the year ended December 31, 2009 was \$3.5 million (2008 - \$nil), all of which has been recorded as a non-cash stock-based compensation expense classified as a general and administrative expense.

i) Contributed surplus

	Amount \$000's
Balance – December 31, 2008	400
Stock-based compensation	3,673
Non-controlling interest (note 15)	(728)
Expiry of warrants	100
Fair value attributed to stock options exercised	(88)
Balance – December 31, 2009	3,357

Included in stock based compensation amount is \$95 thousand attributed to the Company, \$3.5 million (2008 - \$nil) attributable to the Orion Performance Shares and \$68 thousand (2008 - \$16 thousand) is attributable to the Waseca Plan.

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17 Supplemental cash flow information

The Company conducted non-cash investing and financing activities as follows:

- \$47.8 million of common shares issued to acquire Auriga Energy (note 12)
- \$9.9 million of property, plant and equipment acquired through accounts payable and accrued liabilities

During the year, the Company paid \$17.2 million in combined taxes and \$0.2 million in interest.

18 Income taxes

	Year ended December 31, 2009	Year ended December 31, 2008
	\$	\$
Current income expense	-	16,328
Future income tax expense (recovery)	(529)	(283)
	(529)	16,045

Income tax expense differs from the amount that would result from applying the Canadian federal and Ontario income tax rates to earnings before taxes. These differences result from the following items:

	Year ended December 31, 2009	Year ended December 31, 2008
	\$	\$
Earnings (loss) before income taxes	(4,246)	139,409
Canadian federal and provincial income tax rates	33.00%	33.50%
Income tax expense based on above rates	(1,401)	46,702
Increase (decrease) due to		
Permanent differences	523	3,868
Tax rate differences	706	-
Effect of change in future tax rate	23	-
Non-taxable portion of capital gains	(2,696)	(31,988)
True-up from prior year	(796)	-
Benefits of losses utilized from prior years	-	(2,520)
Change in valuation allowance and other	3,112	(17)
	(529)	16,045

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The components of future income taxes are as follows:

	Year ended December 31, 2009	Year ended December 31, 2008
	\$	\$
Future income tax assets		
Deductible temporary differences on investments and other assets	15,831	615
Deferred financing costs and other	1,240	43
Value of future income tax assets	17,071	658
Valuation allowance	(2,921)	(609)
	14,150	49
Future income tax liabilities		
Taxable temporary differences on mineral properties and financial derivative instruments	(654)	(584)
Future income tax assets/(liabilities), net	13,496	(535)

Tax loss carryforwards

As at December 31, 2009 the Company had Canadian income tax loss carryforwards of approximately \$33 million which will begin expiring in 2024 through 2029

19 Related party transactions

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

- a) Certain officers or former officers are currently compensated through personal consulting companies. During the 12-months ended December 31, 2009, consulting fees of \$nil thousand (2008 - \$97 thousand) were paid by the Company to a former officer and One Earth Farms paid \$278 thousand to certain officers through their personal consulting companies (2008 - \$nil). Consulting fees of \$31 thousand (December 31, 2008 - \$52 thousand) were charged by a former officer of the Waseca. Consulting fees are charged to the statements of operations.
- b) In 2009, management fees of \$5.9 million (2008 - \$3.9 million) and \$nil incentive fees (2008 - 35.7 million) were incurred, which are payable to Sprott Consulting Limited Partnership ("SCLP"), an entity with directors and management in common.
- c) Included in accounts payable and accrued liabilities as at December 31, 2009 was \$350 thousand (2008 - \$3.9 million) payable to SCLP for management fees, \$31 thousand related to directors' fee and \$30 thousand related to consulting fees. These amounts are non-interest bearing and have no specific terms of repayment.
- d) The Company purchased shares in Tournigan Energy Ltd ("Tournigan") from an investment fund managed by the Chairman of the Company. As at December 31, 2009 the shares in Tournigan had a fair market value of \$3.1 million. The price paid for such shares was \$3.0 million or \$0.22 per share.
- e) An officer of One Earth Farms is also a director of Viterra Inc. ("Viterra") and it is expected that the One Earth Farms will continue to do business with Viterra from time to time. During the year, \$33 thousand of crop inputs and a \$96 thousand grain cart were purchased from Viterra. One Earth Farms entered into a contract and delivered 1 thousand tonnes of Barley, 6.6 thousand tonnes of canola and 800 tonnes of Hard Red Wheat to Viterra for gross sales of \$2.7 million during the period.
- f) In 2009 One Earth Farms purchased \$280 thousand (2008 - \$nil) of livestock and feed from a company controlled by an employee. The valuation of the livestock was performed by a certified arms length appraiser. The hay inventory

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was valued at the market price per bale and confirmed by a visual count. Subsequent to year-end, One Earth Farms purchased 350 cows in the amount of \$469 thousand and equipment valued at \$321 thousand from the company controlled by an employee.

Transactions with related parties are recorded at the exchange amount, being the price agreed between the parties.

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

20 Segment information

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

A summary of the consolidated balance sheets, by industry segment, is as follows:

	As at December 31, 2009			
	Energy	Agriculture	Corporate and	Total
	\$000's	\$000's	other	\$000's
			\$000's	
Assets				
Total current assets	28,367	37,422	132,174	197,963
Total non-current assets	156,855	2,574	51,210	210,639
	<u>185,222</u>	<u>39,996</u>	<u>183,384</u>	<u>408,602</u>
Liabilities				
Total current liabilities	20,003	1,070	857	21,930
Total non-current liabilities	6,162	-	-	6,162
	<u>26,165</u>	<u>1,070</u>	<u>857</u>	<u>28,092</u>
Non-controlling interest	-	-	45,948	45,948
Shareholder's equity	<u>159,057</u>	<u>38,926</u>	<u>136,579</u>	<u>334,562</u>
	<u>185,222</u>	<u>39,996</u>	<u>183,384</u>	<u>408,602</u>

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A summary of the consolidated statement of operations, by industry segment, is as follows:

	Energy	Agriculture	Corporate and other	2009 Total	2008 Total
	2009 (\$000s)				
Revenue	9,887	2,720	-	12,607	38
Costs of production	(9,128)	(3,139)	-	(12,267)	(351)
	759	(419)	-	340	(313)
Other					
Interest and financing charges	-	-	-	0	-
Interest income	112	-	978	1,090	2,468
Gains on dilution from investments	-	-	2,304	2,304	11,653
General and administrative expense	(9,318)	(2,738)	(5,118)	(17,174)	(3,903)
Management and incentive fees	-	-	(5,945)	(5,945)	(39,586)
Gains on disposal of investments	-	-	16,671	16,671	172,105
Other income and expenses	(609)	(1)	343	(267)	(8,196)
Net income/(loss) for the year	(9,056)	(3,158)	9,233	(2,981)	134,228

A breakdown of general and administration expenses is as follows:

	Energy	Agriculture	Corporate and other	2009 Total	2008 Total
	2009 (\$000s)				
Capital tax expense	-	-	571	571	442
Office & administration	2,326	492	3,403	6,221	1,508
Professional fees	548	1,273	908	2,729	1,744
Salaries and wages	1,276	446	141	1,863	182
Stock based compensation	3,575	-	95	3,670	27
Other farm expense	-	527	-	527	-
Unproved oil and gas exploration costs	1,593	-	-	1,593	-
	9,318	2,738	5,118	17,174	3,903

21 Commitments

Contractual Obligations (\$000's)	Payments Due by Period						2015 and beyond
	Total	2010	2011	2012	2013	2014	
Farm leases (a)	3,952	403	518	518	518	481	1,514
Operating lease (b)	1,132	713	339	30	30	20	-
Equipment lease	43	10	10	10	10	3	-
Total Contractual Obligations	5,127	1,126	867	558	558	504	1,514

- a) Farm leases encompass contractual agreements with First Nations regarding the rental of cultivated land for growing crops and the farming of haylands. As at December 31, 2009, approximately 13,000 acres had been leased for growing crops and approximately 2,000 acres for growing hay. The lease agreements can be terminated by One Earth Farms with notice of not less than one year. The remaining term of the lease agreements ranges from 4 years to 9 years.

In the first year of each farm lease, the rents have been contractually established at a current fair value determination rate per cultivated acre. In subsequent years, One Earth Farms will pay an annual rent based on the fair value determination rate of the land. The fair value determination rate of the land will be determined through a defined

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process that will include, in part, a review by an independent professional land valuator. For the purposes of calculating the commitment in future years, management has assumed that the rent is equal to the contracted rent in the first year of the agreement.

For the hayland leases, One Earth Farms will pay the equivalent of one-half of the proceeds of the baled hay to the landowner as rent. One Earth Farms is responsible for the costs related to the production and harvesting of the hay. For the purposes of calculating the commitment in future years, management has assumed that the rent is equal to the proceeds of harvesting the haylands in the first year of the agreement.

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

Orion has entered into two operating leases that both expire in 2010. The first lease expires on October 31, 2010 with an estimated rental obligation of \$108 thousand for the 10-month period. The second lease expires on November 31, 2010 and has estimated rental obligation of \$238 thousand for the 11-month period.

One Earth Farms has entered into operating leases to lease office space in Saskatoon, Saskatchewan and in Calgary, Alberta. The Saskatchewan lease expires on August 31, 2014. The Calgary sublease expires on November 30, 2011. The estimated aggregate annual rent obligations are \$48 thousand in 2010, \$46 thousand in 2011, \$30 thousand in 2012 through to 2013 and \$20 thousand in 2014.

- c) On September 5, 2007, the Company entered into the Management Services Agreement ("MSA") with Sprott Consulting Limited ("SCL"), a then wholly-owned subsidiary of Sprott Asset Management Inc. ("SAM") with an initial term of three years. The MSA was approved by shareholders of the Company at a special meeting of shareholders held on August 31, 2007. Pursuant to the terms of the MSA, SCL was appointed by the Company to manage, or engage others to manage, the undertaking and affairs of the Company. In consideration for providing these services, the Company agreed to pay SCL an annual services fee equal to 2% of the net asset value (as defined in the MSA) of the Company calculated and payable at the end of each calendar quarter based on the average quarter-end net asset value of the Company and an annual incentive fee equal to 20% of: (a) the pre-tax profits of the Company for the year minus (b) the average month-end net asset value of the Company for the year multiplied by the percentage return of the Canadian 30-Year Generic Bond Index.
- d) On December 22, 2009, One Earth Farms entered into the Management Services Agreement ("OEF MSA") with SCLP, an entity with directors and management in common. Pursuant to the terms of the OEF MSA, SCLP was appointed by the Company to manage, or engage others to manage, the undertaking and affairs of One Earth Farms. In consideration for providing these services, One Earth Farms agreed to pay SCLP a services fee equal to 0.5% of the net asset value (as defined in the OEF MSA) of One Earth Farms calculated and payable at the end of each calendar quarter based on the average quarter-end net asset value of One Earth Farms. The company 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. No amount has been accrued as payable under this agreement at December 31, 2009 as SCLP considers the agreement's effective date as January 1, 2010. No amount has been included in the above commitments schedule for fees payable under this agreement.

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22 Management of capital

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

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

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

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

23 Financial instruments

Fair value of financial instruments

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

The following table presents the classification, fair value and the levels per the fair value hierarchy where fair value is recognized in the balance sheet.

		Financial assets at fair value as at December 31, 2009			
	Classification	Level 1 \$000's	Level 2 \$000's	Level 3 \$000's	Total \$000's
Cash and cash equivalents	Held for trading	9,396	97,689	-	107,085
Derivative financial instruments	Held for trading	-	1,210	-	1,210
Portfolio investments - public	Available for sale	17,815	-	-	17,815
Portfolio investments - warrants	Held for trading	-	552	162	714
		27,211	99,451	162	126,824

Commodity price risk

Several of the Company's subsidiaries are exposed to commodity price risk since their revenues are dependent on the market price of petroleum, natural gas or agricultural crops. The price of these commodities is volatile and subject to fluctuations that may have a significant effect on the ability of the companies to meet their obligations, capital spending targets or commitments and expected operational results.

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The specific derivative instrument held within the Company's energy segment is a costless collar which is a combination of two option contracts that limit the holder's exposure to changes in prices to within a specific range. The "costless" nature of this derivative is achieved by buying a put option (the right to sell) for consideration equal to the premium received from selling a call option (the right to purchase).

One Earth Farms has not entered into any derivative financial contracts to manage the fluctuations of crop prices.

Orion has entered into a number of derivative financial contracts to manage the fluctuations in petroleum and natural gas commodity prices. The following contracts are outstanding at December 31, 2009:

Start date	End date	Commodity	Volume per month (Except when otherwise noted)	Floor price	Ceiling price
January 1, 2010	December 31, 2010	Oil	11,000 bbls	US\$75.00 / bbl	US\$94.30 / bbl
January 1, 2010	December 31, 2010	Gas	1,000 gj / day	C\$6.00 / gj	C\$8.70 / gj
January 1, 2010	December 31, 2010	Gas	50,000 gj	C\$6.50 / gj	C\$8.14 / gj

The estimated fair value of unrealized commodity contracts is reported on the Consolidated Balance Sheet, with any change in the unrealized positions recorded to income. The amount recorded on the Consolidated Balance Sheet as a current asset is \$1.2 million.

Credit risk

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

A significant balance of the Company's accounts receivable is from oil and gas sales. Orion and Waseca's accounts receivable are primarily with oil and gas marketers and joint-venture partners. Receivables from oil and gas marketers are generally collected on the 25th day of the month following production. The Company attempts to mitigate this risk by assessing the financial strength of its counterparties and entering into relationships with larger purchasers with established credit history.

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

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

Liquidity risk

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

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

Interest rate risk

The Company is exposed to minimal interest rate risk on its cash and cash equivalents and short-term investments with

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

Orion is exposed to interest rate risk to the extent it draws down on its \$50 million revolving term credit facility. Fluctuations in interest rates could result in a change in the amount Orion pays to service its variable-interest debt. Orion has not entered into any derivative contracts during 2009 to mitigate this risk.

For the year ended December 31, 2009, Orion management has estimated that a 1% increase in interest rates would have resulted in a decrease in net income of \$0.02 million.

24 Subsequent events

The Company entered into the following transactions subsequent to December 31, 2009:

- a) The Company purchased \$8.4 million in a private company security and received proceeds of \$460 thousand on the disposal of publicly traded securities, resulting in a gain of \$245 thousand.
- b) Wintraysan Capital Corp. Business Combination

On October 13, 2009, Orion and Wintraysan Capital Corp. (“Wintraysan”) signed a letter agreement pursuant to which Wintraysan agreed to acquire all of the issued and outstanding shares of Orion. This letter agreement was superseded by an arrangement agreement dated October 30, 2009. This arrangement agreement was amended and superseded by an amalgamation agreement dated November 26, 2009. Immediately prior to the transaction, each outstanding Wintraysan common share was consolidated on a two for one basis. Pursuant to the terms of the amalgamation agreement, Orion shareholders received, for each Orion common share held, one (1) post-consolidation Wintraysan common share, and Wintraysan shareholders continued to hold one (1) post-consolidation Wintraysan common share for every two (2) Wintraysan common shares held immediately prior to the transaction and following the consolidation. After the Orion and Wintraysan reverse takeover transaction (that does not constitute a business combination), (a) Orion shareholders held approximately 289 million post-consolidation Wintraysan common shares, representing over 99% of the outstanding post-consolidation Wintraysan common shares and (b) Wintraysan shareholders held approximately 1,160,000 post-consolidation Wintraysan common shares, representing less than 1% of the outstanding post-consolidation Wintraysan common shares.

In addition, as at October 20, 2009 there were 300,000 Wintraysan options and warrants issued and outstanding. Following the completion of the amalgamation, there were 150,000 post-consolidation Wintraysan common shares issuable on exercise of the Wintraysan options and warrants.

The amalgamation was completed on January 8, 2010. Orion is now listed on the Toronto Stock Exchange under the symbol “OIP”.

- c) Orion’s board of directors granted 11,762,000 stock options to employees at a weighted average price of \$1.03.
- d) Orion entered into the following hedge contracts in January 2010:

Period in 2010	Total hedged volumes Bbls per day	Floor price (US\$)
January - December	1,000	81.25
March - December	400	82.30
April - December	200	82.45

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September - December	400	83.25
October - December	250	83.55

- e) Waseca issued 33.3 million common shares at \$0.60 per share for proceeds of \$20 million. Waseca also granted an additional 5 million performance shares and 2.6 million stock options.

In January 2010, Waseca completed a \$20 million financing by way of a rights offering to existing shareholders. As part of the rights offering, the Company purchased 28.34 million common shares of Waseca at \$0.60 per common share for a total cost of \$17 million. As a result, SRC's ownership interest in Waseca has increased from 79.1% to 81.3% on an undiluted basis.

- f) On February 10, 2010 One Earth Farms Cattle LP (a wholly owned subsidiary of One Earth Farms) purchased \$469 thousand of cattle and \$321 thousand of equipment for cattle operations from an employee of One Earth Farms.
- g) Subsequent to year end One Earth Farms purchased or committed to purchase approximately \$3.9 million of production machinery, equipment and buildings and prepaid \$210 thousand for canola seed for the upcoming crop season.
- h) On March 16, 2010 Stonegate Agricom Ltd. ("Stonegate"), filed a preliminary prospectus with the securities regulatory authorities in each of the provinces of Canada, other than Quebec, in respect of an initial public offering of units (the "Units") of Stonegate (the "Offering"). Each Unit will consist of one common share of Stonegate and one-half of one common share purchase warrant. The number of Units offered and the price per Unit, as well as the terms of the common share purchase warrants, will be determined in the context of the market prior to the filing of the final prospectus.

25 Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in 2009.