

Sprott Resource Corp.

Consolidated Financial Statements
Second Quarter Ended June 30, 2009
(Unaudited – expressed in Canadian dollars)

Sprott Resource Corp.

Interim Consolidated Balance Sheets

As at June 30, 2009

(Unaudited – expressed in Canadian dollars)

	June 30, 2009 \$000's	December 31, 2008 \$000's
Assets		
Current assets		
Cash and cash equivalents	73,490	45,264
Gold and silver bullion (note 5)	61,930	61,930
Short-term investments (note 6)	98,518	158,283
Note receivable (note 9)	-	610
Standing crop inventory (note 3)	2,385	-
Prepays and other receivables	4,495	2,050
	<hr/>	<hr/>
	240,818	268,137
Investments (note 7a)	40,665	28,564
Investment in Stonegate Agricom Ltd. (note 9)	12,371	11,731
Promissory notes receivable (note 14)	150	150
Mining claims and deferred exploration (note 13)	512	305
Property, plant and equipment (note 11)	7,031	5,399
	<hr/>	<hr/>
	301,547	314,286
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	2,959	5,618
Income and capital tax payable	230	16,328
	<hr/>	<hr/>
	3,189	21,946
Asset retirement obligation (note 12)	78	75
Non-controlling interest	6,516	6,974
Future income tax liability	416	535
	<hr/>	<hr/>
	10,199	29,530
Shareholders' Equity (note 15)		
Capital stock (note 15a)	163,755	163,217
Warrants (note 15c)	44,998	45,036
Contributed surplus (note 15f)	473	400
	<hr/>	<hr/>
	209,226	208,653
Retained earnings	79,942	80,623
Accumulated other comprehensive income (loss)	2,180	(4,520)
	<hr/>	<hr/>
	291,348	284,756
	<hr/>	<hr/>
	301,547	314,286
Commitments (note 19)		
Subsequent events (note 23)		

Approved by the Board of Directors



Director: Terrence Lyons



Director: Michael Winn

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

Sprott Resource Corp.

Interim Consolidated Statements of Operations and Retained Earnings

For the three and six months ended June 30, 2009

(Unaudited – expressed in Canadian dollars)

	Three Month Period Ended June 30, 2009 \$000's	Three Month Period Ended June 30, 2008 \$000's	Six Month Period Ended June 30, 2009 \$000's	Six Month Period Ended June 30, 2008 \$000's
Revenue				
Oil and gas revenue	1,079	-	1,464	-
Oil and gas royalties	(326)	-	(415)	-
	753	-	1,049	-
General and administrative expense	2,541	307	4,281	595
Management fee (notes 17 and 19)	1,451	592	2,869	978
Management incentive fee (notes 17 and 19)	-	783	-	783
	(3,992)	(1,682)	(7,150)	(2,356)
Other income and (expenses)				
Oil and gas operating and exploration	(574)	-	(943)	-
Equity earnings of PBS Coals Limited	-	4,988	-	5,081
Equity loss of Stonegate Agricom Ltd. (note 9)	(451)	-	(760)	-
Gain on disposal of investments – net (note 7a)	4,043	3,173	5,230	3,173
Foreign exchange gain (loss)	(119)	(7)	(11)	6
Gain on dilution from investments	360	368	360	368
Interest and other income	158	148	787	442
Non-controlling interest	206	-	477	2
Other income (loss)	6	(29)	5	(33)
	3,629	8,641	5,145	9,039
Earnings (loss) before income tax	390	6,959	(956)	6,683
Provision for income taxes				
Future tax recovery	581	-	806	-
Income tax expense	(481)	-	(531)	-
	100	-	275	-
Net earnings (loss) for the period	490	6,959	(681)	6,683
Retained earnings (deficit) - Beginning of period				
	79,452	(50,156)	80,623	(49,880)
Retained earnings (deficit) - End of period				
	79,942	(43,197)	79,942	(43,197)
Basic earnings (loss) per share	0.01	0.13	(0.01)	0.13
Fully diluted earnings (loss) per share	0.01	0.11	(0.01)	0.12
Weighted average shares outstanding during the period				
Basic	81,856,719	54,146,209	81,832,111	52,481,314
Fully diluted	82,428,185	62,234,716	82,158,774	59,300,797

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

Sprott Resource Corp.

Interim Consolidated Statements of Comprehensive Income and Accumulated Other Comprehensive Income

For the three and six months ended June 30, 2009

(Unaudited – expressed in Canadian dollars)

	Three Month Period Ended June 30, 2009 \$000's	Three Month Period Ended June 30, 2008 \$000's	Six Month Period Ended June 30, 2009 \$000's	Six Month Period Ended June 30, 2008 \$000's
Net earnings (loss) for the period before other comprehensive income	490	6,959	(681)	6,683
Unrealized gains (losses) on available for sale investments (note 7a and note 9)	6,377	376	7,116	(835)
Future income taxes (note 7b)	(416)	-	(416)	-
Comprehensive income for the period, net of tax	<u>6,451</u>	<u>7,335</u>	<u>6,019</u>	<u>5,848</u>
Accumulated other comprehensive income (loss) – beginning of period	(3,781)	589	(4,520)	1,800
Unrealized gains (losses) on available for sale investments (note 7a and note 9)	6,377	376	7,116	(835)
Future income taxes (note 7b)	(416)	-	(416)	-
Accumulated other comprehensive income – end of period, net of tax	<u>2,180</u>	<u>965</u>	<u>2,180</u>	<u>965</u>

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

Sprott Resource Corp.

Interim Consolidated Statements of Cash Flows

For the three and six months ended June 30, 2009

(Unaudited – expressed in Canadian dollars)

	Three Month Period Ended June 30, 2009 \$000's	Three Month Period Ended June 30, 2008 \$000's	Six Month Period Ended June 30, 2009 \$000's	Six Month Period Ended June 30, 2008 \$000's
Cash flows from (used in) operating activities				
Net earnings (loss) for the period	490	6,959	(681)	6,683
Items not affecting cash				
Depreciation and amortization	199	2	315	4
Stock-based compensation	36	-	73	-
Equity earnings of PBS Coals Corporation	-	(4,989)	-	(5,080)
Gain on dilution from Stonegate Agricom Ltd.	(360)	-	(360)	-
Gain on dilution from investments	-	(368)	-	(368)
Non-controlling interest	(206)	-	(477)	(2)
Income tax expense	481	-	531	-
Future income tax recovery	(310)	-	(535)	-
Loss of Stonegate Agricom Ltd.	451	-	756	-
Write off oil and gas properties and equipment	-	-	22	-
Asset retirement obligation	2	-	3	-
Gain on disposal of investments	(4,043)	(3,173)	(5,230)	(3,173)
	(3,260)	(1,569)	(5,583)	(1,936)
Changes in non-cash operating working capital				
Change in prepaids and other receivables	(68)	(196)	(2,446)	(140)
Change in inventories	(2,385)	-	(2,385)	-
Change in note receivable	93	-	72	-
Change in income and capital tax payable, accounts payable and accrued liabilities	(1,772)	949	(19,288)	1,099
	(7,392)	(816)	(29,630)	(977)
Cash flows from (used in) investing activities				
Purchase of PBS shares	-	(24,447)	-	(24,447)
Purchase of investments	(5,456)	(900)	(13,293)	(1,400)
Proceeds on sale of investments	8,937	4,628	13,055	4,628
Purchase of short term investments	(39,466)	-	(39,466)	-
Proceeds of short term investments matured	85,381	-	85,381	-
Proceeds of short term investments sold	-	-	13,850	-
Investment in Mining claims	-	(1,608)	-	(1,608)
Deferred exploration expenditures	(102)	(197)	(203)	(338)
Purchase of property, plant and equipment	(724)	-	(1,968)	(9)
Net identifiable assets on deconsolidation of former subsidiary	-	233	-	233
	48,570	(22,291)	57,356	(22,941)
Cash flows from financing activities				
Proceeds from issuance of capital stock	500	48,615	500	49,377
	500	48,615	500	49,377
Change in cash and cash equivalents	41,678	25,508	28,226	25,459
Cash and cash equivalents – Beginning of period	31,812	34,034	45,264	34,083
Cash and cash equivalents – End of period	73,490	59,542	73,490	59,542
Cash and cash equivalents are comprised of:				
Cash	55,495	57,543	55,495	57,543
Short-term investments	17,995	1,999	17,995	1,999
	73,490	59,542	73,490	59,542

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

Sprott Resource Corp.

Interim Consolidated Statements of Cash Flows

For the three and six months ended June 30, 2009

(Unaudited – expressed in Canadian dollars)

	Three Month Period Ended June 30, 2009 \$000's	Three Month Period Ended June 30, 2008 \$000's	Six Month Period Ended June 30, 2009 \$000's	Six Month Period Ended June 30, 2008 \$000's
Supplemental cash flow information				
Common shares issued on exercise of stock options	-	31	-	438
Fair value of warrants issued	-	17,700	-	17,700
Unrealized gain (loss) on investments	6,377	835	7,116	835
Common shares issued to acquire mining claims	-	7,705	-	7,705
Future income tax receivable (classified as a component of prepaids and other receivable)	(535)		(807)	
Future income tax liability	106	3,975	(119)	3,975

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

Sprott Resource Corp.

Notes to Interim Consolidated Financial Statements

June 30, 2009

(Unaudited – expressed in Canadian dollars)

1 Organization and nature of operations

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

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

The Company consolidates the operations of its subsidiaries, Waseca Energy Inc. (“Waseca”), One Earth Farms Corp. and its operating subsidiaries (collectively “One Earth Farms”), One Earth Resources Corp. (“One Earth Resources”), as well as the L-S Alliance. In addition, the Company equity accounts for Stonegate Agricom Ltd. (“Stonegate Agricom”).

2 Significant accounting policies

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”), using the same accounting policies and methods as per the annual audited consolidated financial statements for the year ended December 31, 2008, with the additions described in notes 2 and 4. They do not include all of the disclosures required by Canadian GAAP, and should be read in conjunction with the most recent annual audited consolidated financial statements of the Company.

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

3 Adoption of new accounting standards

Goodwill and intangible assets - Section 3064

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

Farm inventory – Section 3031

a) Grain Inventory

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

b) Purchased Inventory

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

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Notes to Interim Consolidated Financial Statements

June 30, 2009

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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 our 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 combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to IFRS 3, Business Combinations (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

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

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS International Accounting Standards (“IAS”) 27, Consolidated and Separate Financial Statements (January 2008).

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

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

Sprott Resource Corp.

Notes to Interim Consolidated Financial Statements

June 30, 2009

(Unaudited – expressed in Canadian dollars)

5 Gold and silver bullion

At December 31, 2008 and June 30, 2009 the Company held the following ounces of physical gold and silver bullion:

Bullion	Ounces	Cost \$000's	Average cost per ounce \$	Fair value at June 30, 2009 \$000's	Fair value at Dec. 31, 2008 \$000's
Gold	40,475	39,197	968.00	43,982	43,437
Silver	1,783,013	22,733	12.75	28,901	24,606
		<u>61,930</u>		<u>72,883</u>	<u>68,043</u>

6 Short-term Investments

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

	Maturity date range	Weighted average interest rate / annum %	Investment \$000's
Government of Canada treasury bills, held with Scotia Capital Inc.	August 6, 2009 to November 12, 2009	1.16	98,518

7 Investments

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

	Three Month Period Ended June 30, 2009 \$000's	Six Month Period Ended June 30, 2009 \$000's
Opening balance	34,206	28,564
Acquisitions during the period	5,456	13,293
Unrealized gains (losses) during the period – net	5,897	6,633
Proceeds on disposal of investments at fair market value	(8,937)	(13,055)
Gain on disposal of investments - net	4,043	5,230
Closing balance at fair value	<u>40,665</u>	<u>40,665</u>

At June 30, 2009, 61% of the total securities held by the Company were public securities, and the remaining 39% were privately held securities.

- b) For the period ending June 30, 2009 a future income tax liability of \$416 thousand was allocated to the unrealized gains on the investments in securities of public and private companies.

Sprott Resource Corp.

Notes to Interim Consolidated Financial Statements

June 30, 2009

(Unaudited – expressed in Canadian dollars)

8 Investment in Waseca Energy Inc.

During 2008, the Company purchased 45.3 million common shares of Waseca for an aggregate purchase price of \$27.2 million (\$0.60 per share) representing 79.72% of Waseca's outstanding common shares. The transaction was accounted for as an acquisition of assets and liabilities using the purchase method. The Company's interest in Waseca decreased to 79.24% as at December 31, 2008 with Waseca issuing additional shares to external parties. The Company's interest in Waseca was further decreased to 79.16% as at June 30, 2009 with Waseca issuing additional shares to external parties. Waseca currently has 57.2 million shares issued and outstanding and 64.4 million fully diluted (see notes 15d "*The Waseca Stock Option Plan*" and note 15e "*Waseca Performance Shares*" for additional information on the dilutive securities). The results of Waseca's operations have been included in the consolidated financial statements from the date of acquisition. Waseca is a private Canadian oil and gas company whose primary focus is heavy oil production from the Lloydminster area near the border between Alberta and Saskatchewan.

9 Investment in Stonegate Agricom Ltd.

During 2008, the Company terminated the option and exploration agreement in respect of the Mantaro Phosphate Project and concurrently, a wholly-owned subsidiary "Holdco", entered into a share purchase agreement to purchase all the outstanding shares of Mantaro (BVI) Ltd., a British Virgin Island company ("Mantaro BVI").

During 2008, Holdco amalgamated with Stonegate Minerals Ltd. to form Stonegate Agricom, in which the Company received 60 million common shares representing an 81% interest. Pursuant to the Voting Agreement established upon amalgamation, the Company does not control Stonegate Agricom and therefore has equity accounted for the investment. The Company has agreed to vote its Stonegate Agricom shares in favour of each nominee to the board of directors of Stonegate Agricom proposed by the management of Stonegate Agricom for a period of three (3) years from the date of the IPO of Stonegate Agricom, provided that one such nominee is a representative of the Company. As a result of the amalgamation, the Company recorded a dilution gain of \$2.9 million. Subsequent to the amalgamation in 2008, Stonegate Agricom completed a private placement of 2,000,000 common shares reducing the Company's interest to 78.95%, which resulted in a further dilution gain of \$647 thousand. In the second quarter of 2009, Stonegate Agricom completed a private placement of \$1,556 thousand (\$556 thousand of which was the Company converting an outstanding loan to common shares – see below for additional information).

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

As at June 30, 2009, Stonegate Agricom has 15 million (March 31, 2009 – 14 million) share purchase warrants outstanding exercisable at \$0.75 per common share, none of which the Company holds.

Mantaro BVI holds 99.5% of the outstanding shares of Mantaro Peru S.A.C., a Peruvian company ("Mantaro Peru"), with the balance 0.5% being held by Stonegate Agricom. Mantaro Peru holds the mineral claims relating to the Mantaro Phosphate Project.

Sprott Resource Corp.

Notes to Interim Consolidated Financial Statements

June 30, 2009

(Unaudited – expressed in Canadian dollars)

A summary of 100% of the assets and liabilities of Stonegate Agricom as at June 30, 2009 and the results of operations for the period ending June 30, 2009 are as follows:

	\$000's
Total current assets	5,102
Total non-current assets	15,116
Total assets	20,218
Total current liabilities	229
Total non-current liabilities	3,975
Total liabilities	4,204
Share capital	17,445
Contributed surplus	324
Accumulated other comprehensive loss	-
Deficit	(1,755)
Total liabilities and equity	20,218

	\$000's
Company share of accumulated other comprehensive loss	
Revenue	4
Expenses	(698)
Loss before income taxes	(694)
Future income taxes	122
Loss for the period	(572)
Company share of equity loss of Stonegate Agricom	(451)

The investment in Stonegate Agricom is as follows:

	\$000's
Balance - March 31, 2009	11,426
Share of losses for the period	(451)
Share of other comprehensive income	480
Gain on dilution from Stonegate Agricom Ltd.	360
Investment (conversion of note)	556
Balance – June 30, 2009	12,371

Sprott Resource Corp.

Notes to Interim Consolidated Financial Statements

June 30, 2009

(Unaudited – expressed in Canadian dollars)

10 One Earth Farms Corp.

One Earth Farms has begun farming operations on First Nations' farmland in the Prairie Provinces of Canada. During the second quarter of 2009, the Company invested \$27.5 million in One Earth Farms through the purchase of 30 million units. Each unit entitles the Company to one common share of One Earth Farms and one common share purchase warrant exercisable for \$1.00 for a period of five years from the subscription date. One Earth Farms will use the proceeds to establish operations, fund working capital and support its initial growth. Refer to note 19 for commitments under One Earth Farms.

11 Property, plant and equipment

	Cost	As at June 30, 2009 Accumulated depletion and depreciation	Net book value
	\$000's	\$000's	\$000's
Oil and gas properties	6,401	(288)	6,113
Oil and gas equipment	278	(5)	273
Farm equipment	503	(31)	472
Other property, plant and equipment	201	(28)	173
	<hr/> 7,383	<hr/> (352)	<hr/> 7,031

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

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.

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

Sprott Resource Corp.

Notes to Interim Consolidated Financial Statements

June 30, 2009

(Unaudited – expressed in Canadian dollars)

13 Mining claims and deferred exploration

During 2008, the Company entered into an option agreement (the “Option Agreement”) with Altius Resources Inc. (“Altius”) under which the Company can earn up to a 50.1% interest in the prospective potash mineral properties owned by Altius in Newfoundland, Canada, which are subject to the Option Agreement. The Company may exercise the option by making the following minimum aggregate expenditures on the properties: (i) by April 30, 2009, \$275 thousand; (ii) by April 30, 2010, \$650 thousand; and (iii) by April 30, 2011, \$1.5 million. Expenditures totaling \$512 thousand have been made as at June 30, 2009.

14 Promissory notes receivable

During 2008, the Company’s subsidiary, One Earth Resources, entered into agreements with three (3) First Nation bands. Under the agreements, One Earth Resources will pay the First Nations a \$100 thousand signing bonus each upon the receipt of mineral exploration permits by One Earth Resources. The First Nations each received cash payments in the amounts of \$50 thousand advanced in the form of promissory notes to be applied against the amounts of the total signing bonus. The promissory notes are non-interest bearing and are repayable, at no specified date, in the event the exploration permits are not received by One Earth Resources.

15 Shareholders’ equity

a) Issued and outstanding

	Number of common shares	Amount \$000’s
Balance - December 31, 2008	81,807,224	163,217
Exercise of warrants	200,000	500
Balance – June 30, 2009	<u>82,007,224</u>	<u>163,717</u>

b) Stock options

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

During the period ended June 30, 2009, there were no stock option grants, exercises, cancellations or expiries. The following table summarizes information about the Company’s stock options outstanding and exercisable at December 31, 2008 and June 30, 2009.

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(Unaudited – expressed in Canadian dollars)

Exercise price	As at June 30, 2009			As at December 31, 2008		
	Number of options	Weighted average remaining contractual life (years)	Number of options exercisable	Number of options	Weighted average remaining contractual life (years)	Number of options exercisable
1.30 ¹	90,000	0.10	90,000	90,000	0.60	90,000
1.75	100,000	0.94	100,000	100,000	1.44	100,000
3.32	75,000	4.15	-	75,000	4.65	-
	265,000		190,000	265,000		190,000

1. 90,000 options expire during a blackout period, which is expected to end on August 18, 2009. The Company's stock option plan grants an automatic extension to the expiry date if expiry occurs during a blackout period. As a result, the expiry date of the expiring options has been extended to August 28, 2009.

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

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

Compensation expense for the three month period ended June 30, 2009 was \$19,986, all of which has been recorded as a non-cash stock-based compensation expense classified as a general and administrative expense. The total amount has been recorded as an offsetting credit to contributed surplus.

c) Share warrants

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

Number of warrants outstanding	Exercise price \$	Expiry date
3,655,430	2.50	September 5, 2009
16,594,284	4.25	December 31, 2010

Warrant Incentive Program

During 2008, the Company announced a warrant incentive program (the "Warrant Incentive Program") to encourage the early exercise of 39.9 million outstanding warrants that were to expire September 5, 2009 (the "Old Warrants"), which were issued as part of the financing completed in September 2007. The Warrant Incentive Program expired on July 7, 2008. The Old Warrants are exercisable at \$2.50 per share. Warrant holders who elected to exercise their Old Warrants as part of the Warrant Incentive Program received one-half of one new common share purchase warrant (a "New Warrant"), which is exercisable for one common share of the Company at a price of \$4.25 until December 31, 2010, subject to the Company's ability to accelerate the expiry of the New Warrants if the trading price of the

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Company's common shares is equal to or greater than \$6.00 for twenty (20) consecutive trading days. Under the Warrant Incentive Program, 33.2 million of the Old Warrants were exercised for total proceeds of \$83 million and consequently 16.6 million New Warrants were issued.

d) The Waseca Stock Option Plan

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

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

Exercise price (\$)	Number of options	As at	Number of options exercisable	Number of options	As at	Number of options exercisable
		June 30, 2009			December 31, 2008	
		Weighted average remaining contractual life (years)			Weighted average remaining contractual life (years)	
0.60	2,435,000	4.3	-	2,250,000	4.8	-

The fair value of the stock options granted during the period under Waseca's 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

Compensation expense under the Waseca Plan for the three month period ended June 30, 2009 was \$17 thousand (2008 - \$nil), all of which has been recorded as a non-cash stock-based compensation expense classified as office and miscellaneous expense. The total amount has been recorded as an offsetting credit to contributed surplus.

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e) Waseca Performance Shares

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

Transaction value ¹ (\$)	Number of Performance Shares outstanding	As at	Number of Performance Shares convertible	Number of Performance Shares outstanding	As at	Number of Performance Shares convertible
		June 30, 2009			December 31, 2008	
		Weighted average remaining contractual life (years)			Weighted average remaining contractual life (years)	
0.69	1,186,250	4.25	-	1,112,500	4.75	-
0.90	1,186,250	4.25	-	1,112,500	4.75	-
1.20	1,186,250	4.25	-	1,112,500	4.75	-
1.50	1,186,250	4.25	-	1,112,500	4.75	-
	4,745,000		-	4,450,000		-

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

f) Contributed surplus

	Amount \$000's
Balance – December 31, 2008	400
Stock-based compensation	73
Balance – June 30, 2009	473

The Company's stock based compensation amount is \$40 thousand (2008 - \$nil) and the remaining amount of \$33 thousand (2008 - \$nil) is attributable to Waseca.

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16 Supplemental cash flow information

The Company conducted non-cash investing and financing activities for the three month period as follows:

	June 30, 2009 \$000's	June 30, 2008 \$000's
Investing activities		
Future income tax	106	-
Financing activities		
Conversion of Stonegate Agricom note into common shares	556	-

17 Related party transactions

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

- a) During the three months ended June 30, 2009, directors fees of \$32 thousand (June 30, 2008 - \$nil) were charged by independent directors of the Company. Directors' fees are charged to the statements of operations.
- b) Certain officers or former officers are compensated through personal consulting companies during the start up phase of a business. During the three months ended June 30, 2009, consulting fees of \$36 thousand (June 30, 2008 - \$8 thousand) were paid by the Company to a former officer, Waseca paid \$5 thousand to an officer paid through a personal consulting company (June 30, 2008, - \$nil) and One Earth Farms paid \$133 thousand to certain officers paid through their personal consulting companies (June 30, 2008, - \$nil). Consulting fees are charged to the statements of operations.
- c) During the three months ended June 30, 2009, management fees of \$1.5 million (June 30, 2008 - \$1.4 million in management and incentive fees) were incurred, which are payable to SCLP, an entity with directors and management in common.
- d) Included in accounts payable and accrued liabilities as at June 30, 2009 was \$1.5 million (June 30, 2008 - \$3.9 million) payable to SCLP and \$13 thousand payable to Waseca. These amounts are non-interest bearing and have no specific terms of repayment.
- e) Included in investments as at June 30, 2009 is an investment in Tournigan Energy Ltd ("Tournigan") at fair market value of \$4.3 million. During 2008, the Company purchased 15.9 million Tournigan shares throughout the year from funds managed by the Chairman of the Company. The price paid for such shares was \$3.5 million or \$0.22 per share.
- f) Included in inventory as at June 30, 2009 are \$33 thousand of crop inputs which have been purchased from Viterra Inc., a company in which an officer of One Earth Farms is a director.

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.

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18 Segment information¹

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

	June 30, 2009	December 31, 2008
	\$000's	\$000's
Oil and gas	31,332	32,459
Agriculture	27,811	-
Investments	40,665	28,564
Unallocated	201,739	253,263
Total assets	<u>301,547</u>	<u>314,286</u>

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

19 Commitments

Contractual Obligations (\$000's)	Total	2009	Payments Due by Period				
			2010	2011	2012	2013	2014 and beyond
Farm leases (a)	3,905	237	372	487	487	487	1,835
Operating lease (b)	770	159	319	292	-	-	-
Equipment lease	48	5	10	10	10	10	3
Software License	68	68	-	-	-	-	-
Total Contractual Obligations	<u>4,791</u>	<u>469</u>	<u>701</u>	<u>789</u>	<u>497</u>	<u>497</u>	<u>1,838</u>

- 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 June 30, 2009, approximately 12,000 acres had been leased for growing crops and approximately 2,000 acres for growing hay. The approximately 12,000 acres was confirmed by GPS measurement during the spring seeding of the fields. The lease agreements can be terminated by One Earth Farms with notice of not less than one year. The term of the lease agreements ranges between 4.5 years to 9.5 years.

In the first year of each farm lease, the rents have been contractually established at a current fair value determination rate per cultivated acre. In subsequent years, One Earth Farms will pay an annual rent based on the fair value determination rate of the land. The fair value determination rate of the land will be determined through a defined process that will include, in part, a review by an independent professional land valuator. For the purposes of calculating the commitment in future years, management has assumed that the rent is equal to the contracted rent in the first year of the agreement.

For the hayland leases, One Earth Farms will pay the equivalent of one-half of the proceeds of the baled hay to the landowner as rent. One Earth Farms is responsible for the costs related to the production and harvesting of the hay. It is currently not possible for management to determine the proceeds of harvesting the haylands and no amount has been included in the above commitments table. In 2009, the landowner will be paid one half of the baled hay and the custom farming operator hired to harvest the hay will be paid the other half of the baled hay. The hayfield was a perennial field and did not require any input costs in the production of the hay.

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Management expects that One Earth Farms will continue to sign new lease agreements with First Nations and to significantly grow the total acreage leased in future years.

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

20 Contingencies

The Company may be subject to various contingent liabilities that occur in the normal course of operations. The Company is not aware of any pending or threatened proceedings that would have a material adverse effect on the consolidated financial condition or future results of the Company.

21 Management of capital

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

In the management of capital, the Company includes the components of shareholders’ equity, as well as cash and cash equivalents and investments.

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, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments. The Company has no debt and does not expect to enter into debt financing. Operating subsidiaries may enter into debt financing as necessary.

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

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

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22 Financial instruments

Fair value of financial instruments

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

Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The company has limited operating exposure to fluctuations in the exchange rate. However, Certain of the Company's financial instruments are exposed to fluctuations in the U.S. dollar, including the physical gold and silver bullion. A hypothetical change of 10% to the foreign exchange rate between the U.S. dollar and the Canadian dollar applied to the gold and silver bullion during the period would have an impact of approximately \$7.3 million (2.4% of assets).

Credit risk

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

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

Market risk

Market risk is the risk that changes in market prices, such as interest rates, gold and silver bullion and equity prices, will affect the Company's operations or the value of its financial instruments. The Company will generate a portion of its revenue from the proceeds of disposition from its equity investments in natural resource companies. The values of such investments are subject to general market risks and all the risks specific to natural resource companies. If the value of these investments declines, as a result of company specific issues or market conditions generally, the Company may suffer capital losses. Management performed a sensitivity analysis of the portfolio investments and the physical gold and silver bullion against a 10% fluctuation in the stock market. A 10% fluctuation in the S&P TSX Composite Index would impact the Company's net assets excluding cash and cash equivalents and short-term investments by 4% and net assets including cash and cash equivalents and short-term investments by 1.5%.

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.

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Interest rate risk

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

23 Subsequent events

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

- a) The Company purchased \$3.3 million of publicly traded securities, and received proceeds of \$1.0 million on the disposal of publicly traded securities, resulting in a gain of \$382 thousand.
- b) \$25 thousand stock options to acquire common shares to were granted to each of the three independent directors at a per share exercise price equal to the last trading day immediately preceding the date of the grant.
- c) \$6 thousand common share warrants were exercised for proceeds of \$15 thousand (\$2.50 per share).
- d) One Earth Farms entered into operating leases to lease office space in Saskatoon, Saskatchewan and in Calgary, Alberta. The Calgary lease is a sublease from Waseca. The expected cost of the two property leases is \$170 thousand.
- e) One Earth Farms committed to purchasing approximately \$1.6 million of equipment for the 2009 fall harvest, including approximately \$101 thousand from Viterra Inc., which is a related party to one of the One Earth Farms officers.
- f) The board of directors of Waseca authorized 178,000 Performance Shares and 89,400 stock options for issuance. The securities have not yet been issued.

24 Comparative figures

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