

Sprott Resource Corp.

Condensed Interim Consolidated Financial Statements

First Quarter Ended March 31, 2016

(Unaudited - Expressed in Canadian dollars)

Sprott Resource Corp.
Interim Consolidated Statements of Financial Position
As at March 31, 2016 and December 31, 2015
Unaudited - Amounts expressed in thousands of Canadian dollars

	<i>Note</i>	Mar. 31, 2016	Dec. 31, 2015
Assets			
Cash and cash equivalents	\$	631	\$ 674
Trade and other receivables		289	173
Investments owned, at fair value	3	128,779	120,767
Total assets	\$	129,699	\$ 121,614
Liabilities			
Trade and other payables	12	\$ 856	\$ 666
Credit facility	4	16,359	13,621
Total liabilities		17,215	14,287
Equity			
Capital stock	5b	280,902	280,902
Treasury stock		(720)	(705)
Contributed surplus		3,488	3,351
Deficit		(171,186)	(176,221)
Total equity attributable to shareholders of the Company		112,484	107,327
Total liabilities and equity	\$	129,699	\$ 121,614
Commitment	9		
Subsequent Event	14		

Approved by the Board of Directors

(signed) "Terrence Lyons"

Chairman

(signed) "Lenard F. Boggio"

Director

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

Sprott Resource Corp.
Interim Consolidated Statements of Operations
For the three-months ended March 31, 2016 and 2015
Unaudited - Amounts expressed in thousands of Canadian dollars except per share amounts and number of outstanding shares

		Three-Months Ended	
	Note	Mar. 31, 2016	Mar. 31, 2015
Investment income (loss)			
Net gain (loss) on investments	6	\$ 6,498	\$ (24,375)
Dividend, royalty and other income		—	402
		6,498	(23,973)
Expenses			
General and administrative expenses	7	517	635
Management fees and compensation		583	1,121
Transaction costs		80	—
Finance expense	4	283	187
		1,463	1,943
Net income (loss) attributable to shareholders		\$ 5,035	\$ (25,916)
Basic and diluted earnings (loss) per share	8	\$ 0.05	\$ (0.27)
Weighted average shares outstanding during the period			
Basic	8	96,251,046	97,640,152
Fully diluted	8	96,672,102	97,640,152

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

Sprott Resource Corp.
Interim Consolidated Statements of Changes in Equity
For the three-months ended March 31, 2016 and 2015
Unaudited - Amounts expressed in thousands of Canadian dollars

	Capital Stock	Treasury Stock	Contributed Surplus	Deficit	Total
Balance - January 1, 2015	\$ 284,396	\$ (772)	\$ 3,262	\$ (59,155)	\$ 227,731
Loss for the period	—	—	—	(25,916)	(25,916)
Stock-based compensation	—	—	101	—	101
Shares released on vesting of equity incentive plan	—	(28)	—	28	—
Balance - March 31, 2015	\$ 284,396	\$ (800)	\$ 3,363	\$ (85,043)	\$ 201,916
Balance - April 1, 2015	\$ 284,396	\$ (800)	\$ 3,363	\$ (85,043)	\$ 201,916
Loss for the period	—	—	—	(93,578)	(93,578)
Normal course issuer bid	(3,494)	—	—	2,648	(846)
Stock-based compensation	—	—	452	—	452
Shares acquired for equity incentive plan	—	(617)	—	—	(617)
Shares released on vesting of equity incentive plan	—	712	(464)	(248)	—
Balance - December 31, 2015	\$ 280,902	\$ (705)	\$ 3,351	\$ (176,221)	\$ 107,327
Balance - January 1, 2016	\$ 280,902	\$ (705)	\$ 3,351	\$ (176,221)	\$ 107,327
Income for the period	—	—	—	5,035	5,035
Stock-based compensation	—	—	187	—	187
Shares acquired for equity incentive plan	—	(75)	—	—	(75)
Shares released on vesting of equity incentive plan	—	60	(50)	—	10
Balance - March 31, 2016	\$ 280,902	\$ (720)	\$ 3,488	\$ (171,186)	\$ 112,484

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

	Three-Months Ended	
	Mar. 31, 2016	Mar. 31, 2015
Cash flows used in operating activities		
Net income (loss) attributable to shareholders	\$ 5,035	\$ (25,916)
Items not affecting cash		
Net gain (loss) on investments	(6,498)	24,375
Stock-based compensation	187	101
	(1,276)	(1,440)
Purchase of investments	(2,665)	(715)
Proceeds on sale of investments	1,151	300
Changes in non-cash operating working capital		
Trade and other receivables	(116)	866
Trade and other payables	194	(887)
Accrued interest on credit facility	289	187
	(1,147)	(249)
Cash used in operating activities	(2,423)	(1,689)
Cash flows provided by financing activities		
Proceeds from credit facility	3,500	2,000
Repayments of credit facility	(1,045)	—
Acquisition of treasury stock	(75)	—
Cash provided by financing activities	2,380	2,000
Change in cash and cash equivalents	(43)	311
Cash and cash equivalents - Beginning of year	674	1,713
Cash and cash equivalents - End of period	\$ 631	\$ 2,024
Supplemental Cash Flow Information:		
Interest paid on credit facility ¹	\$ 1,045	\$ —
Dividend income received ²	—	403
	\$ 1,045	\$ 403

¹ Amounts are included in the financing activities

² Amounts are included in the operating activities

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

1. Corporate Information

Sprott Resource Corp. ("SRC" or the "Company") was incorporated under the *Canada Business Corporations Act* ("CBCA") on August 19, 1994. The primary purpose of the Company is to invest in the natural resource sector. The Company currently has investments in energy exploration, production and services, mining and agriculture.

SRC invests in the natural resource sector through Sprott Resource Partnership ("SRP"), a partnership formed pursuant to an amended and restated partnership agreement (the "Partnership Agreement") between SRC and Sprott Resource Consulting Limited Partnership (the "Managing Partner"), an affiliate of Sprott Consulting Limited Partnership ("SCLP"). All of the current holdings of SRC are held in SRP. The only assets not held in SRP are those assets necessary to administer the (i) public company and (ii) equity incentive plan of the Company (see Note 5e).

The Company holds all voting SRP units, entitling the Company to control the strategic, operating, financing and investing activities of SRP. The Managing Partner holds all non-voting SRP units and, within the terms and conditions established by the Company, manages SRP's investment activities and assets, and administers the day-to-day operations of SRP. The Managing Partner may be removed as the managing partner of SRP by way of a Special Resolution (as defined in the Partnership Agreement) approved by no less than two thirds of the votes cast by the holders of the voting partnership units who vote on the resolution.

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

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

These Financial Statements (as defined below) were approved for issue by the Board of Directors (the "Board") on May 10, 2016.

2. Accounting Policies

The following is a summary of the significant accounting policies applied in the preparation of these unaudited condensed interim consolidated financial statements ("Financial Statements").

a. Basis of Preparation

These Financial Statements are prepared on a going concern basis in accordance with IAS 34, *Interim Financial Reporting*. Consequently, they should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Effective June 30, 2015, the Company changed the presentation of its Consolidated Statements of Financial Position from a classified basis to a non-classified basis. Under the non-classified basis, balances are not separately presented as current or non-current. Management believes that this presentation is more meaningful to readers because it aggregates assets and liabilities of the same nature, which is consistent with the manner in which management monitors its financial position. Certain previously reported amounts in the Consolidated Statements of Financial Position and notes have been reclassified to conform to the new presentation. This change has no impact on the Company's net asset value, cash flows or net income (loss) and comprehensive income (loss) to shareholders.

Due to rounding, numbers presented may not add up precisely to totals provided.

b. Consolidation

The Financial Statements of the Company include the accounts of SRC, SRP and the Sprott Resource Corp. 2014 Employee Profit Sharing Plan (the "Trust"). All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In many, but not all instances, control will exist when the Company owns more than one half of the voting rights of a corporation, partnership or trust. The Company does not control any entities for which it owns less than one half of the voting rights of an entity, other than the Trust, which the Company is deemed to control.

As an investment entity, the Company accounts for its subsidiaries at fair value through profit or loss ("FVTPL") in accordance with IFRS 9, with the exception of SRP that provides services related to the Company's investment activities and the Trust, which provides the Company with its equity incentive plan. Subsidiaries providing such services are fully consolidated from the date on which control is obtained, and no longer consolidated from the date on which control ceases. Accounting policies of SRP and the Trust have been conformed where necessary to ensure consistency with the policies adopted by the Company.

c. Investment in Associates and Joint Ventures

Associates and Joint Ventures are entities over which the Company has significant influence or joint control, but not control. As permitted by IAS 28, *Investment in Associates and Joint Ventures*, the Company has elected to carry all such investments at FVTPL in accordance with IFRS 9.

d. Cash and Cash Equivalents

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

e. Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

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

Investments in equity instruments, derivatives and debt instruments that do not meet the criteria for amortized cost (see below) are classified as FVTPL. Financial assets classified as FVTPL are carried at fair value on the consolidated statements of financial position with realized and unrealized gains and losses recorded in the consolidated statements of operations and as an operating activity in the consolidated statements of cash flows.

A debt instrument is measured at amortized cost if (i) the objective of the company's business model is to hold the instrument in order to collect contractual cash flows and (ii) the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Alternatively, debt instruments that meet the criteria for amortized cost may be designated as at FVTPL on initial recognition if doing so eliminates or significantly reduces an accounting mismatch. Investments in equity instruments that are not held for trading may be irrevocably designated at fair value through other comprehensive income ("FVTOCI") on initial recognition. The Company has not designated any of its equity instruments at FVTOCI.

The Company recognizes purchases and sales of financial assets on the trade date, which is the date on which it commits to purchase or sell the asset. Transaction costs related to financial assets classified or designated as at FVTPL are expensed as incurred. A financial asset is derecognized when the rights to receive cash flows from the investment have expired or have been transferred and when the Company has transferred substantially the risks and rewards of ownership of the asset.

Financial assets and liabilities measured at amortized cost, including the Company's cash and cash equivalents, trade and other receivables, trade and other payables and credit facility are recognized initially at the amount expected to be received or paid less, when material, a discount to reduce them to fair value. Subsequently, they are measured at amortized cost using the effective interest rate method less a provision for impairment, if any. Due to their short-term nature and low credit risk, the fair values of these financial assets and liabilities approximate their carrying amounts.

f. Net Gain (Loss) on Investments

Realized and unrealized gains and losses arising on the disposition and remeasurement of investments at fair value, including foreign exchange gains and losses, are included in net gain (loss) on investments in the Consolidated Statements of Operations.

g. Dividend Income

Dividends from instruments are recognized in the Consolidated Statements of Operations as part of dividend income when the Company's right to receive payment is established.

h. Impairment of Financial Assets

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

For financial assets carried at amortized cost, the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

i. Foreign Currency Translation

These Financial Statements are presented in Canadian dollars, which is also the Company's functional currency. Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates that transactions occur. Assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rates prevailing at the measurement date. Foreign exchange gains and losses related to cash and cash equivalents are included in general and administrative expenses on the Consolidated Statements of Operations and those related to the Company's investments are included in net gain (loss) on investments.

j. Management Fees and Compensation

SCLP provides management services to the Company, which entitle it to management fees of 0.50% of the Quarterly Net Asset Value (as defined in the MSA, see Note 9) of SRC, less the total compensation paid to management who are employed by both SRC and SCLP for such fiscal quarter. The fee is accrued each quarter.

k. Profit Distribution

SRC, on an annual basis, will distribute to the Managing Partner 20% of the difference (if positive) (the "Management Profit Distribution") between: (i) the sum of the Net Profits of the Partnership and Net Losses of the Partnership (as defined in the Partnership Agreement) since the fiscal year in respect of which the last Management Profit Distribution was made; and (ii) the sum of the Annual Hurdles (as defined in the Partnership Agreement) for each fiscal year in respect of which the last Management Profit Distribution was made, except that if all or a portion of the Management Profit Distribution results from a non-cash disposition of an asset, all or such portion, as applicable, shall not be distributed to the Managing Partner until such non-cash consideration, or a portion thereof, as applicable, is disposed of for cash or cash equivalents provided that the Management Profit Distribution shall be determined by including in Net Profits of the Partnership only the amount of cash or cash equivalents received by the Partnership and not on the value of the non-cash consideration received upon disposition of the assets.

l. Employee and Director Benefits

Stock-based compensation

The Company uses the fair value method to account for equity settled share-based payments with employees and directors. Compensation expense is determined using the Black-Scholes option valuation model for stock options. Compensation expense for deferred stock units ("DSU") is determined based on the value of the Company's common shares at the time of grant. Compensation expense for the Company's Trust is determined based on the value of the Company's common shares on the grant date (see Note 5e). The amount of compensation expense is recognized over the vesting period with a corresponding increase to contributed surplus other than for the Company's DSUs where the corresponding increase is to liabilities. Common shares held by the Trust and stock options vest in installments which require a graded vesting methodology to account for these share-based awards. On the exercise of stock options for shares, the contributed surplus previously recorded with respect to the exercised options and the consideration paid is credited to capital stock. On the vesting of common shares in the Trust, the contributed surplus previously recorded is credited to treasury stock. On the exercise of DSUs, the liability previously recorded is credited to cash.

m. Income Taxes

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

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

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and laws that have been enacted or substantively enacted at the Consolidated Statements of Financial Position date.

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

n. Capital Stock

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

o. Treasury Stock

Treasury shares are classified as equity. Treasury shares arises when the Trust purchases shares on the open market for the purpose of the equity incentive plan.

p. Earnings (Loss) per Share

Earnings (loss) per share are presented for basic and diluted earnings. Basic per share information is computed by dividing the net income or loss of the Company by the weighted average number of common shares outstanding during the period. The weighted average number of shares for fully diluted earnings per share information is calculated using the treasury stock method whereby it is assumed that (i) proceeds obtained upon exercise of options would be used to purchase common shares at the average market price during the period and (ii) all unvested treasury shares are deemed to have vested. Under the treasury stock method, options have a dilutive effect only when the average market price of the common shares during the period exceeds the exercise price of the options (they are "in-the-money"). Exercise of in-the-money options is assumed at the beginning of the

period or date of issuance, if later. Unvested treasury shares are assumed to have vested at the beginning of the period or date of issuance, if later. Should the Company have a loss for the period, options and unvested treasury shares would be anti-dilutive and therefore would have no effect on the determination of diluted loss per share.

q. Critical Accounting Estimates and Judgments

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are the fair value of unlisted instruments. The fair value of financial instruments that are not traded in an active market are determined by using valuation techniques. Private equity investments for which market quotations are not readily available are valued at their fair value outlined in Note 11.

Fair value of investments

The Company's investments are recorded in the Consolidated Statements of Financial Position at fair value. Management uses their judgment to select a variety of methods and make assumptions that are not always supported by quantifiable market prices or rates. Judgment is required in order to determine the appropriate valuation methodology under this standard and subsequently in determining the inputs into the valuation model used. These judgments include assessing the future earnings potential of investee companies, appropriate earnings multiples to apply, adjustments to comparable multiples, liquidity and net assets. In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that the Company believes will materially affect the methodology or assumptions utilized in making these estimates in these Financial Statements. Accordingly, actual values realized in future market transactions may differ from the estimates presented in these Financial Statements and the differences may be material. The use of different market assumptions and/or valuation methodologies may have a material effect on the estimated fair values of various assets and liabilities. The fair values of financial instruments with quoted bid and ask prices are based on the price within the bid-ask spread that are most representative of fair value and may include closing prices in exchange markets.

The fair value of the other financial instruments is determined using the valuation techniques described in Note 11 .

The Company classifies the fair value of its financial instruments according to the following hierarchy, which is based on the nature of the observable inputs used to value the instrument:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2 – inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – inputs that are unobservable for the asset and liability.

Determination of investment entity status

The most significant judgment made in preparing the Financial Statements is the determination that the Company is an investment entity. In accordance with IFRS 10, an investment entity is an entity that: "obtains funds from one or more investors for the purpose of providing them with investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis." In determining its status as an investment entity, the most significant judgments made include the determination by the Company that its investment-related activities with subsidiaries, other than SRP, do not represent a separate substantial business activity and that fair value is the primary measurement attribute used to monitor and evaluate substantially all of its investments.

Stock-based compensation

Equity compensation through the Trust can only be granted to employees and directors when the Company is permitted to purchase its own shares through the TSX. From time-to-time, equity compensation is approved during a period of blackout which requires management to estimate the number of shares that will ultimately be granted as equity compensation.

3. Investments

The Company has a portfolio of investments in securities of public and private companies. The following is a summary of the Company's investments and their fair values:

(in thousands)	As at	
	Mar. 31, 2016	Dec. 31, 2015
Energy exploration, production and services	\$ 52,367	\$ 54,248
Agriculture	52,738	57,243
Mining	23,674	9,276
Total investments owned, at fair value	\$ 128,779	\$ 120,767

The Company's investments are solely comprised of equity holdings, other than a royalty interest in the amount of \$0.4 million that is included in energy exploration, production and services as at March 31, 2016 (December 31, 2015: \$0.5 million comprised of the same royalty interest).

As an investment entity, the Company accounts for all of its investments at FVTPL, including investments in subsidiaries (other than those which provide services related to the Company's investing activities) and associates. Further information about the Company's subsidiaries and associates is as follows:

Name	Type	Principal place of business	Country of Incorporation	Ownership Interest %	Voting Rights %
Stonegate Agricom Ltd.	Developer of Agricultural Nutrient Mining Projects	United States	Canada	20.9%	20.9%
One Earth Farms Corp. ("OEF")	A Vertically Integrated Healthy Food Company	Canada	Canada	49.98%	49.98%
One Earth Oil & Gas Inc. ("OEOG") ¹	Energy Exploration and Development Company	Canada	Canada	97.1%	97.1%

¹The Company fair values this at \$nil.

4. Credit Facility

On November 11, 2014, the Company as the borrower and SRP as the guarantor entered into a \$20.0 million credit facility ("Facility") with Sprott Resource Lending Corp. ("SRLC"), a subsidiary of Sprott Inc., the parent company of the Managing Partner (the amount of which was subsequently reduced to \$18.0 million, as discussed below). The Facility is available for general corporate purposes and revolves such that the Company can re-draw any previously repaid portions of the Facility. The Facility matures on May 11, 2016 ("Maturity Date") and upon signing SRC paid a commitment fee equal to 1% of the Facility. Interest accrued daily at 7% per annum until November 11, 2015 and 8% thereafter, compounded monthly.

SRC has the option to capitalize interest during the term of the Facility. All capitalized interest shall be paid in cash or by way of shares of SRC as determined by the independent directors of the Company. The number of shares of SRC to be issued in payment of interest shall be equal to the amount of interest payable divided by the 5 trading day volume weighted average price for the shares of SRC. All unpaid interest shall be paid in full on the Maturity Date. Prior to the Maturity Date, SRC shall be entitled to pay unpaid interest on the last business day of any month.

All obligations of the Company under the Facility are unconditionally guaranteed by SRP. As at March 31, 2016, the Company is in compliance with all financial covenants of the Facility. During the third quarter of 2015, the Company renegotiated the Facility because of public markets volatility and agreed (i) that the amount available under the Facility would be reduced to \$18.0 million, (ii) to apply all proceeds of the disposition of any shares, equity interests or other securities owned (directly or indirectly) by the Company in prepayment of the Facility (including any accrued and unpaid interest and any other amounts payable thereunder without restricting the revolving nature of the Facility), (iii) not to enter into any reorganization, consolidation, amalgamation, arrangement, winding-up, merger, disposal of all or substantially all of its assets or other similar transaction without the prior written consent of SRLC; and (iv) not to declare, make or pay any dividends. The Facility provides that it shall be an event of default if the market value of the publicly traded securities owned by the Company is less than three times the total amount drawn under the Facility (the "Market Value Covenant"), where previously it was three times the total amount of the Facility.

On January 29, 2016, SRLC agreed to waive the Market Value Covenant until the Maturity Date as a result of continued public markets volatility. As at March 31, 2016, the outstanding balance of the Facility is \$16.4 million, which includes capitalized interest in the amount of \$0.2 million (December 31, 2015: \$13.6 million, which includes capitalized interest of \$0.9 million). On May 10, 2016, the Facility was converted into the New Facility and extended

until November 11, 2016 (see Note 14, Subsequent Event). The Company may be required to monetize a portion of its investments, subject to market conditions, or obtain capital from other sources, to maintain current operations and/or repay the Facility.

Finance expense as disclosed in the Interim Consolidated Statements of Operations is shown below:

(in thousands)	Three-months ended	
	Mar. 31, 2016	Mar. 31, 2015
Finance expense	\$ 283	\$ 187

5. Equity

a) Authorized

Unlimited common shares with no par value.

The holders of the common shares are entitled to one vote per share and are entitled to dividends, when and if declared by the Board 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.

b) Issued and outstanding

	Common shares (#)	Amount
Balance - January 1, 2015	97,874,503	\$ 284,396
Normal course issuer bid - repurchase of capital stock	(1,202,401)	(3,494)
Balance - December 31, 2015 and March 31, 2016	96,672,102	\$ 280,902

c) Stock options

The number of common shares available under the Company's stock option plan is limited to a maximum of 5% of the issued common shares at the time of granting of options. Subject to any employment contracts, each option grant is exercisable as to 33 1/3% on a cumulative basis, at the end of each of the first, second and third years following the date of grant. The maximum option term cannot exceed 10 years, subject to extension in the event that the expiry date falls within a "blackout" period. The Board has determined to discontinue issuance of stock option.

The number of stock options outstanding as at March 31, 2016 was 227 thousand (December 31, 2015: 227 thousand) at a weighted average exercise price of \$4.31 (December 31, 2015: \$4.31). The exercise price ranges from \$4.00 per common share to \$4.99 per common share with expiry dates in August 2016, May 2017 and August 2017.

d) Normal course issuer bid

On September 4, 2015, the Company announced that it had received approval from the TSX to commence a normal course issuer bid ("2015 NCIB") beginning on September 10, 2015 to repurchase and cancel up to 8.5 million of its common shares, representing approximately 8.99% of the public float of the Company and approximately 8.73% of the total number of issued and outstanding shares at that time. The 2015 NCIB will end on the earlier of (i) September 9, 2016, (ii) when the number of common shares sought under the 2015 NCIB have been obtained, or (iii) when notice is given by SRC to the TSX terminating the 2015 NCIB if SRC determines that it is appropriate to do so. Pursuant to TSX policies, daily purchases made by SRC may not exceed 31,162 common shares, being 25% of the six-month average daily trading volume of 125 thousand common shares on the TSX, subject to certain prescribed TSX exceptions including the "block purchase exemption".

For the three-months ended March 31, 2016, the Company did not purchase any common shares (three-months ended March 31, 2015: nil) under its normal course issuer bid.

e) Treasury stock

On May 21, 2014, the Company adopted an equity incentive plan for its employees and directors. The Trust has been established and the Company funds the Trust with cash, which is used by the trustee to purchase common shares of the Company on the open market and held in the Trust by the trustee until the awards vest and are allocated to eligible members. Vesting of the awards are at the discretion of the Board.

The Trust purchased 180 thousand common shares for the three-months ended March 31, 2016 (for the year ended December 31, 2015: 718 thousand). During the three-months ended March 31, 2016, an additional 107 thousand common shares were released on vesting from the equity incentive plan.

For the three-months ended March 31, 2016, the Company recorded stock-based compensation expense of \$187 thousand (three-months ended March 31, 2015: \$101 thousand), of which \$112 thousand (three-months ended March 31, 2015: \$17 thousand) has been recorded in management

fees and compensation and \$75 thousand (three-months ended March 31, 2015: \$84 thousand) has been recorded in general and administrative expense with a corresponding increase to contributed surplus during the year.

<i>(in thousands)</i>	Three-months ended	
	Mar. 31, 2016	Mar. 31, 2015
Stock option plan	\$ —	\$ 17
Trust	187	84
	\$ 187	\$ 101

6. Net Gain (Loss) on Investments

<i>(in thousands)</i>	Three-months ended	
	Mar. 31, 2016	Mar. 31, 2015
Net realized loss on investments	\$ (13,775)	\$ —
Reversal of previously recorded unrealized loss on investments (excluding the effects of foreign exchange) ¹	13,775	—
Change in unrealized gain (loss) on investments (excluding the effects of foreign exchange) ²	10,208	(31,118)
Change in unrealized foreign exchange gain (loss) on investments	(3,710)	6,743
Net gain (loss) on investments	\$ 6,498	\$ (24,375)

¹ Amounts resulting from accounting reversals of investments sold in the period

² Amounts resulting from investments held at the period end

7. General and Administrative Expenses

(in thousands)	Three-months ended	
	Mar. 31, 2016	Mar. 31, 2015
Professional fees	\$ 74	\$ 120
Public company reporting costs	264	308
Foreign exchange gain on cash and cash equivalents and interest earned on cash and cash equivalents	(1)	(7)
Office expenses	180	214
	\$ 517	\$ 635

Included in public company reporting costs are \$78 thousand of Director stock-based compensation for the three-months ended March 31, 2016 (three-months ended March 31, 2015: \$84 thousand).

8. Earnings (Loss) per Share

Basic earnings (loss) per share is calculated by dividing the net income (loss) of the Company by the weighted average number of shares outstanding during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive shares. The potentially dilutive shares of the Company relate to stock options and treasury stock. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the exercise prices of outstanding stock options. The number of shares calculated as described in the preceding sentence is compared with the number of shares that would have been issued assuming the exercise of the stock options. All unvested treasury shares are deemed to have vested at the beginning of the period or date of issuance, if later.

(in thousands)	Three-months ended	
	Mar. 31, 2016	Mar. 31, 2015
Net income (loss) attributable to shareholders	\$ 5,035	\$ (25,916)
Weighted average number of shares - basic (in thousands)	96,251	97,640
Weighted average number of shares - fully diluted (in thousands)	96,672	97,640
Basic and fully diluted earnings (loss) per share	\$ 0.05	\$ (0.27)

9. Commitment*SRC Management Services Agreement ("MSA")*

SRC invests and operates in the natural resource sector through SRP. Substantially all of the holdings of SRC are held by SRP. The only assets not held by SRP are those assets necessary to administer the public company. SRC owns nearly all of SRP (approximately 99.99%), other than the managing partnership interest owned by the Managing Partner (approximately 0.01%).

The Managing Partner has the power and authority to transact the business of SRP and to deal with and in SRP's assets for the use and benefit of SRP, except as limited by any direction of the Board, and subject to certain limits on authority established from time to time by the Board.

The Managing Partner holds all non-voting partnership units and, within the terms and conditions established by the Company, will manage SRP's investment activities and assets, and administer the day-to-day operations of SRP. The Managing Partner of SRP may be removed by way of a Special Resolution (as defined in the Partnership Agreement) approved by no less than two thirds of the votes cast by the holders of the voting partnership units who vote on the resolution. SRC holds all of the voting partnership units of SRP.

10. Related Party Transactions*a) Purchases of Services*

The Company entered into the following transactions with related parties during the three-months ended March 31, 2016 and three-months ended March 31, 2015:

Management fees and employment compensation pursuant to the MSA for the three-months ended March 31, 2016 was \$0.6 million (three-months ended March 31, 2015: \$1.1 million). The employment compensation portion was paid directly to employees and consultants of SRC provided by SCLP and the remainder was paid and payable to SCLP, an entity with directors and officers in common. As at March 31, 2016, there was \$0.5 million (December 31, 2015: \$0.2 million) payable to SCLP for management fees calculated pursuant to the MSA.

As described in Note 4, the Company entered into a \$20.0 million revolving Facility with SRLC, a subsidiary of Sprott Inc., the parent company of the Managing Partner. During the third quarter of 2015, the Facility was modified to reflect a reduction of the amount available under the Facility to \$18.0 million. On May 10, 2016, the Facility was converted into the New Facility and extended until November 11, 2016 (see Note 14, Subsequent Event). The Facility provides the Company with financial flexibility to service general corporate purposes which may include new investments, supporting existing investments and facilitating corporate operations.

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

b) Key Management Compensation

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

<i>(in thousands)</i>	Three-months ended	
	Mar. 31, 2016	Mar. 31, 2015
Compensation paid by and on behalf of SRC for executive management services provided to the Company (including stock-based compensation)	\$ 163	\$ 306
Directors fees	90	90
Directors stock-based compensation	78	84
	\$ 331	\$ 480

11. Fair Value Estimation

All of the Company's investments are carried at fair value. SRC includes investments in private companies in Level 3 of the fair value hierarchy (see Note 2) because they trade infrequently and have limited observable inputs. The Company's exchange-traded investments that are quoted in active markets are measured at fair value using closing prices.

The Company has provided fair market disclosure for its portfolio of investments by three industry groups. The energy exploration, production and services industry group consists of (i) three oil and gas exploration and production ("E&P") investments, (ii) one provider of drilling services to oil and gas E&P companies and, (iii) one technology company for the benefit of oil and gas E&P companies. The mining industry group consists of three mining companies, two of which are in the exploration stage and one that is in the producing stage. The agriculture industry group consists of two agriculture-related companies. One company is based in Uruguay and the other in Canada with both operations and risks linked to agricultural commodities. The companies in each of the three industry groups share similar risk profiles and have therefore been grouped together.

The following table presents the classification within the levels of the fair value hierarchy (in thousands).

As at March 31, 2016	Level 1	Level 2	Level 3	Total
Investments - energy exploration, production and services	\$ 39,176	\$ 448	\$ 12,743	\$ 52,367
Investments - agriculture	—	—	52,738	52,738
Investments - mining	23,674	—	—	23,674
	\$ 62,850	\$ 448	\$ 65,481	\$ 128,779

As at December 31, 2015	Level 1	Level 2	Level 3	Total
Investments - energy exploration, production and services	\$ 39,934	\$ 473	\$ 13,841	\$ 54,248
Investments - agriculture	—	—	57,243	57,243
Investments - mining	9,276	—	—	9,276
	\$ 49,210	\$ 473	\$ 71,084	\$ 120,767

The Company's policy is to recognize transfers to and from fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There have been no transfers between levels during the three-months ended March 31, 2016.

The following presents the movement in Level 3 instruments for the three-months ended March 31, 2016 and for the year-ended December 31, 2015:

	Mar. 31, 2016	Dec. 31, 2015
Opening balance	\$ 71,084	\$ 114,943
New investments	—	750
Unrealized losses	(5,606)	(44,609)
Ending balance	\$ 65,478	\$ 71,084

Valuation Methodologies

The Company's executive management team together with the investment and finance departments are responsible for determining fair value measurements included in the Financial Statements, including Level 3 measurements. The valuation processes and results are reviewed and approved by the Chief Executive Officer and Chief Financial Officer at least once every quarter, in line with the Company's quarterly reporting dates. Valuation results are discussed with the Audit Committee and Board as part of its quarterly review of the Company's Financial Statements.

The Company determines the fair values of its investments categorized in Level 3 using book value, discounted cash flows, earnings multiple methodologies, reference to recent transaction prices, public company comparables or a combination thereof. At least annually (unless determined otherwise), each investment classified as a Level 3 investment is valued by an independent third-party professionally accredited valuator. The Company staggers the third-party valuation process over four quarters such that each Level 3 investment is independently valued within a 12-month period (unless determined otherwise).

The Company's valuation model for certain investee companies includes its proportionate share of the net present value of estimated future cash flows expected based on a discounted cash flow model. The discount rate used by the Company is based on the risk-free rate of the economic environment in which an investee company operates and is adjusted in relation to other factors such as liquidity, credit and market risk. The cash flows used in the discounted cash flow model are based on projected cash flow or earnings of an investee company.

In applying an earnings multiple methodology, management applies a market-based multiple that is appropriate and reasonable to the maintainable earnings of the portfolio company. In many cases, the enterprise value of the underlying business is derived by the use of an earnings multiple applied to the current year's earnings where these can be forecast with a reasonable degree of certainty and are deemed to represent the best estimate of maintainable earnings. In other cases, earnings for periods in excess of the current year's earnings may be used when the specifics of the industry and the portfolio company are warranted. Where this is not the case, historic earnings will generally be used.

Management will normally derive the earnings multiple by reference to current market based multiples reflected in the valuations of quoted comparable companies or the price at which comparable companies have changed ownership. Differences between the comparable multiple and the unquoted company being valued are reflected by adjusting the multiple for points of difference. The reasons why such adjustments may be necessary include the following:

- size and diversity of the entities;
- rate of growth of earnings;
- reliance on a small number of key employees;
- diversity of product ranges;
- diversity and quality of customer base;
- level of borrowing;
- any other reason the quality of earnings may differ; and
- risks arising from the lack of marketability of the shares.

Where a recent investment has been made, either by the Company or by a third party in one of SRC's investments, after considering the background of the underlying investment, this price will generally be used as the estimate of fair value, subject to consideration of changes in market conditions

and company specific factors. Other methodologies, as detailed above, may be used at any time if this is deemed to provide a more accurate assessment of the fair value of the investment. The indicators that the price of recent investment may no longer be appropriate include:

- significant under/over achievement of budgeted earnings;
- concerns with respect to debt covenants or refinancing;
- significant movements in the market sector of the investment;
- regulatory changes in the industry; and,
- the passage of time.

Quantitative information about fair value measurements as at March 31, 2016 using significant unobservable inputs (Level 3) is as follows:

Description	Valuation technique(s)	Significant unobservable input(s)	Range of significant unobservable inputs
<i>Investments - energy exploration, production and services</i>			
InPlay Oil	(i) Adjusted net assets	Reserve and flowing barrel metrics	2P reserves: 13.0 - 14.0 \$/boe \$68,000 - \$73,000 boe/d
	(ii) Cash flows	Cash flow multiple	5.0x - 9.0x
RII	Recent Transaction Price	Discount rate	20% - 40% discount
<i>Investments - agriculture</i>			
Union Agriculture Group	Adjusted net assets	Marketability of shares	35% - 45% discount
OEF	Adjusted net assets	Biological asset fair value	Midpoint of third-party Canadian index for commodity beef ¹

¹ Biological assets at OEF are predominantly organic and natural for which a third party Canadian index is not available.

Financial assets and liabilities that are not measured at fair value on the consolidated statements of financial position are represented by cash and cash equivalents, trade and other receivables, Facility and trade and other payables. Due to their short-term nature and low credit risk, the fair values of these financial assets and liabilities approximate their carrying amounts.

The Company's Level 3 investments consist of investments in the (i) energy exploration, production and services, and (ii) agriculture sectors. The sensitivity of these investments' fair values is highly correlated to numerous unobservable inputs, the interrelationships of which are difficult to determine.

12. Financial Risk Management

The Company's activities expose it to certain financial risks during or at the end of the reporting period as described below.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, and the Company's investments expose it to this risk. Market risk includes interest rate risk, foreign currency risk and other price risk such as commodity price risk. The sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice, this is unlikely to occur, and changes in some of the factors may be correlated - for example, changes in interest rates and changes in foreign currency rates.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to minimal interest rate risk from its interest bearing financial instruments as they typically have short-term maturities. The Company is not exposed to interest rate risk on its Facility as the interest rate is fixed over the term of the Facility.

Through the equity portion of some of its investments, the Company is also indirectly exposed to interest rate risk.

As at March 31, 2016, the Company had a Facility with a carrying value of \$16.4 million (December 31, 2015: \$13.6 million). The Facility carried a fixed interest rate of 7% until November 11, 2015 and then 8% thereafter. On May 10, 2016, the Facility was converted into the New Facility and extended until November 11, 2016 (see Note 14, Subsequent Event). The Company may be required to monetize a portion of its investments, subject to market conditions, or obtain capital from other sources, to maintain current operations and/or repay the Facility.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has exposure to foreign currency risk due to the effects of changes in foreign exchange rates related to certain U.S. denominated investments and cash and cash equivalents. The Company is also indirectly exposed to foreign exchange risk due to the effects of changes in foreign exchange rates related to the underlying operations of some of its underlying investments. These risks are monitored and evaluated for their effects on cash flows and the benefits of hedging strategies are continuously reviewed.

As at March 31, 2016, approximately \$55.4 million or 42.7% (December 31, 2015: \$66.1 million or 54.3%) of total assets were invested in proprietary investments priced in USD. As at March 31, 2016, had the exchange rate between the USD and the Canadian dollar increased or decreased by 5%, with all other variables held constant, the increase or decrease, respectively, in net income for the three-months ended March 31, 2016 would have amounted to approximately \$2.8 million (for the year-ended December 31, 2015: \$3.3 million).

Price Risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from foreign currency risk or interest rate risk) whether those changes are caused by factors specific to the individual financial instrument, its issuer, or factors affecting all similar financial instruments traded in the market. The Company is subject to price risk through its public equity investments. The Company's private market investments are also subject to price risk as they are impacted by many general and specific market variables.

A 10% increase/decrease in the value of all public equity and private market investments would result in an approximate increase/decrease in the value of public and private market exposure and an unrealized gain/loss in the amount of \$12.9 million.

Commodity Price Risk

Commodity price risk is the risk that the fair values or cash flows associated with the Company's investments will vary due to changes in the prices of a particular commodity, e.g. oil, natural gas liquids, natural gas, agricultural crops or livestock. The Company's investee companies may engage in various programs to mitigate exposure to commodity price risk.

The Company is exposed to commodity price risk in respect of several of its investments since their revenues are dependent on the market price of petroleum, natural gas or agricultural products. The price of these commodities is volatile and subject to fluctuations that may have a significant effect on the ability of the investee companies to meet their obligations, capital spending targets or commitments, and expected operational results which in turn impacts their fair values as recorded by the Company.

Credit Risk

Credit risk is the risk that a third party will fail to meet its contractual obligations, which could result in the Company incurring a loss. Trade and other receivables are subject to credit risk exposure and the carrying values reflect management's assessment of the associated maximum exposure to such credit risk.

The Company has no significant concentrations of credit risk and its exposure to credit risk arises through the Company's cash held primarily through large Canadian financial institutions with credit ratings of AA or higher.

Credit risk is also managed by dealing with counterparties that the Company believes to be creditworthy and by actively monitoring credit exposure and the financial health of the counterparties.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages liquidity risk by maintaining sufficient cash and cash equivalents balances to enable settlement of transactions on the due date. Periodic cash flow forecasts are performed to ensure the Company has sufficient cash to meet operational costs.

The Company relies on the Facility to meet current obligations. If the Facility is no longer available for any reason the Company may be forced sell securities it owns at the prevailing market prices. This may adversely affect the equity attributable to shareholders of the Company and the market price of the Company's common shares. On May 10, 2016, the Facility was converted into the New Facility and extended until November 11, 2016 (see Note 14, Subsequent Event).

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 these investments when the Company considers it appropriate.

The following are contractual maturities of financial liabilities as at March 31, 2016:

<i>(in thousands)</i>	Carrying Amount	Contractual Amount	Less than one year	One to two years	Greater than two years
Financial liabilities					
Trade and other payables	\$ 856	\$ 856	\$ 856	—	—
Facility	16,359	16,359	16,359	—	—
	\$ 17,215	\$ 17,215	\$ 17,215	—	—

Subsequent to the Company's year end, Long Run Exploration Ltd. ("Long Run") announced it had received (i) securityholder approval and (ii) approval from the Court of Queen's Bench of Alberta for the plan of arrangement ("Arrangement") pursuant to which Calgary Sinoenergy Investment Corp. will acquire all of the outstanding common shares of Long Run and all of Long Run's outstanding 6.40% convertible unsecured subordinated debentures. Completion of the Arrangement is subject to various closing conditions, including the receipt of regulatory approvals which would result in approximately \$12 million of cash to the Company. The Arrangement is expected to close in late May 2016.

Concentration Risk

Concentration risk is the risk that any single or group of exposures will have the potential to produce losses large enough to threaten the ability of an entity to continue operating as a going concern. The Company's investment portfolio is concentrated in the following segments as at:

	Mar. 31, 2016	Dec. 31, 2015
Agriculture	46.9 %	53.3 %
Energy exploration, production and services	46.6 %	50.5 %
Mining	21.0 %	8.6 %
Cash, trade and other receivables less total liabilities	(14.5)%	(12.4)%
Total equity attributable to shareholders of the Company	100 %	100 %

13. Capital Management

The capital the Company manages is the total debt and equity on the Consolidated Statements of Financial Position. The 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 that optimizes the costs of capital at 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, incur short-term or long-term debt or adjust the amount of cash and cash equivalents and investments.

14. Subsequent Event

Facility

On May 10, 2016, the Facility was converted into a term facility ("New Facility") and extended until November 11, 2016 such that any amounts that may be paid on the New Facility will be a permanent reduction of the New Facility and may not be re-borrowed. Upon signing the amending agreement the Company paid a commitment fee equal to 0.5%. In connection with the execution of the New Facility SRLC agreed to waive the repayment of up to \$3.1 million from the proceeds to be received from the Company's disposition of Long Run under the previously announced plan of arrangement between Calgary Sinoenergy Investment Corp. and Long Run.

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Stock Information

Sprott Resource Corp. common shares are traded on the Toronto Stock Exchange under the symbol "SCP"



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