SANDSTORM
RESOURCES LTD.

Second Quarter Report
June 30, 2010

SANDSTORM RESOURCES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Period Ended June 30, 2010

This management's discussion and analysis ("MD&A") for Sandstorm Resources Ltd. ("Sandstorm" or "the Company") should be read in conjunction with the unaudited interim consolidated financial statements for the period ended June 30, 2010 and related notes thereto which have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The information contained within this MD&A is current to July 26, 2010 and is stated in U.S. dollars unless otherwise noted.

FORWARD LOOKING STATEMENTS

This MD&A contains "forward-looking statements" or "forward-looking information" within the meaning of applicable securities legislation. Forward-looking information is provided as of the date of this MD&A and Sandstorm does not intend, and does not assume any obligation, to update this forward-looking information, except as required by law.

Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on reasonable assumptions that have been made by Sandstorm as at the date of such information and is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Sandstorm to be materially different from those expressed or implied by such forward-looking information, including but not limited to: the impact of general business and economic conditions; delays in the construction of the Aurizona mine, the Santa Elena mine and the Ming mine; the absence of control over mining operations from which Sandstorm will purchase gold and risks related to those mining operations, including risks related to international operations, government and environmental regulation, actual results of current exploration activities, conclusions of economic evaluations and changes in project parameters as plans continue to be refined; problems inherent to the marketability of minerals; industry conditions, including fluctuations in the price of metals, fluctuations in foreign exchange rates and fluctuations in interest rates; government entities interpreting existing tax legislation or enacting new tax legislation in a way which adversely affects Sandstorm; stock market volatility; competition; as well as those factors discussed in the section entitled "Risks to Sandstorm" herein.

Forward-looking information in this MD&A includes, among other things, disclosure regarding: Sandstorm's existing four volume based production payment agreements as well as its future outlook, the mineral reserve and mineral resource estimates for each of the Aurizona mine, the Santa Elena mine and the Ming mine. Forward-looking information is based on assumptions management believes to be reasonable, including but not limited to the continued operation of the mining operations from which Sandstorm Resources will purchase gold, no material adverse change in the market price of commodities, that the mining operations will operate in accordance with their public statements and achieve their stated production outcomes, and such other assumptions and factors as set out therein.

Although Sandstorm has attempted to identify important factors that could cause actual actions, events or results to differ materially from those contained in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information.

CORPORATE DEVELOPMENT AND STRATEGY

The Company is a growth focused resource company that seeks to acquire gold volume based production payment agreements ("VPPs") from companies that have advanced stage development projects or operating mines. In return for making a one-time upfront payment to acquire a VPP agreement, Sandstorm receives the right to purchase, at a fixed price per ounce, a percentage of a mine's gold production for the life of the mine. Sandstorm helps other companies in the resource industry grow their businesses, while acquiring attractive assets in the process. The Company is focused on acquiring VPP agreements for mines with low production costs, significant exploration potential and strong management teams. The Company currently has four VPPs.

AURIZONA VPP AGREEMENT

On May 15, 2009, the Company entered into an agreement to purchase 17% of the life of mine gold produced from Luna Gold Corp.'s ("Luna") open-pit Aurizona project, located in Brazil (the "Aurizona Project"). The Aurizona Project is currently in its commissioning phase and on June 9, 2010 the Company received its first gold shipment of 126 ounces from Luna.

SANTA ELENA VPP AGREEMENT

On May 15, 2009, the Company entered into an agreement to purchase 20% of the life of mine gold produced from SilverCrest Mines Inc.'s ("SilverCrest") open-pit Santa Elena project, located in Mexico (the "Santa Elena Project").

Construction activities at the Santa Elena Project are progressing on schedule and initial mining has commenced. Specific activity updates are as follows:

A) Approximately 100,000 tonnes of ore are ready for crushing and loading onto the pad.

B) The crusher is finishing commissioning and loading of the heap leach pads has begun with a target of starting the solution in August.

C) The major equipment in the Merril Crowe plant is in place and the plant is expected to be operational in August.

D) The production water well is being used and tests are positive.

SUMMIT VPP AGREEMENT

On September 14, 2009, the Company entered into an agreement to purchase 50% of the first 10,000 ounces of gold produced, and 22% of the life of mine gold produced thereafter, from Santa Fe Gold Corporation's ("Santa Fe") Summit mine, located in the United States of America (the "Summit Mine").

On March 25, 2010, the Summit Mine received a license required to begin processing operations at its floatation mill and Santa Fe began commissioning of its Lordsburg mill at that time. Commissioning of the Lordsburg flotation mill is nearing completion and Santa Fe is currently stockpiling concentrates, which it expects to begin selling by September.

MING VPP AGREEMENT

On March 4, 2010, the Company entered into an agreement to purchase 25% of the first 175,000 ounces of gold produced, and 12% of the life of mine gold produced thereafter, from Rambler Metals & Mining plc's ("Rambler") Ming mine, located in Canada (the "Ming Mine"), for $20.0 million in staged upfront payments and no ongoing payments per ounce of gold. The first instalment of $5.0 million was paid to Rambler on March 10, 2010. The second instalment of $2.0 million will be paid to Rambler upon completion and delivery to the Company of a satisfactory NI 43-101 compliant feasibility study. The third instalment of $13.0 million will be paid to Rambler upon receipt of all necessary permits required to construct and operate the Ming Mine.

Rambler has provided to the Company the following completion guarantees: (i) that the Ming Mine will begin gold production by September 4, 2011 or Rambler will be required to fully refund the $20.0 million upfront deposit plus 8% interest, compounded annually, (ii) that within 24 months of commencement of production, Rambler will have produced and sold a minimum of 24,000 ounces of payable gold or the Company will have the option to require a partial refund of the upfront deposits, and (iii) that the Company will receive minimum cash flows from the contract of $3.6 million in the first year of production, $3.6 million in the second year of production, and $3.1 million in the third year of production.

The Ming Mine is a past-producing underground massive sulphide copper-gold mine located in Newfoundland. The Ming Mine contains the former producing Ming and Ming West copper-gold mines.

Progress highlights on the Ming Mine include:

A) Official environmental registration of the Ming Mine.

B) New key equipment for the Nugget Pond Mill expected in August 2010 with detailed engineering nearing completion.

C) Mine and Port infrastructure construction to commence following environmental release.

D) NI 43-101 feasibility study to be completed in the third quarter of 2010.

E) The metallurgical test program was completed and the mill conceptual design has been progressing on schedule.

SPIN-OUT OF SANDSTORM METALS & ENERGY

On May 13, 2010 Sandstorm transferred its option agreement on the Eagle Lake property owned by Eagle Plains Resources Ltd. located in Saskatchewan, Canada (the "Eagle Lake Property") and working capital of C$500,000 to its wholly-owned subsidiary Sandstorm Metals & Energy Ltd ("Sandstorm Metals & Energy") in exchange for 6,836,810 common shares of Sandstorm Metals & Energy. Sandstorm thereafter distributed all of its common shares held in Sandstorm Metals & Energy to Sandstorm shareholders. As a result, Sandstorm Metals & Energy is no longer a subsidiary of Sandstorm. Sandstorm will focus on gold VPP agreements and Sandstorm Metals & Energy will focus on base metal and energy VPP agreements.

SUMMARY OF QUARTERLY RESULTS

	Quarters Ended			
	June 30, 2010	Mar. 31, 2010	Dec. 31, 2009	Sept. 30, 2009
Total revenue	$ 155,036	$ -	$ -	$ -
Net income (loss) for the period	(391,388)	(652,013)	(953,876)	31,905
Basic income (loss) per share	(0.00)	(0.00)	(0.00)	0.00
Diluted income (loss) per share	(0.00)	(0.00)	(0.00)	0.00
Total assets	74,974,896	74,814,043	74,136,533	42,111,178
Total long-term liabilities	-	-	-	-

	June 30, 2009	Mar. 31, 2009	Dec. 31, 2008	Sept. 30, 2008
Total revenue	$ -	$ -	$ -	$ -
Net income (loss) for the period	1,924,571	(141,720)	(31,466)	(230,756)
Basic income (loss) per share	0.02	(0.01)	(0.00)	(0.01)
Diluted income (loss) per share	0.02	(0.01)	(0.00)	(0.01)
Total assets	41,761,249	1,154,127	1,054,237	1,387,818
Total long-term liabilities	-	-	-	-

All quarters prior to the quarter ended June 30, 2009 have been restated and translated from Canadian dollars to U.S. dollars as the Company changed its reporting currency to the U.S. dollar starting April 1, 2009.

THREE MONTHS ENDED JUNE 30, 2010 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2010

The Company incurred a net loss of $0.4 million for the three months ended June 30, 2010 compared to a net loss of $0.7 million for the three months ended March 31, 2010. The reduced loss during the three months ended June 30, 2010 was primarily a result of a decrease in stock-based compensation of $0.2 million as well as an increase in earnings from operations of $0.1 million, due to the company purchasing 126 ounces of gold from Luna.

THREE MONTHS ENDED JUNE 30, 2010 COMPARED TO REMAINING QUARTERS

The Company did not have a significant level of activity prior to the acquisition of the Aurizona and Santa Elena VPP agreements in May 2009. Therefore previous quarters results are not comparable to the quarters ended June 30, 2009 and thereafter.

CHANGE IN TOTAL ASSETS

Total assets at June 30, 2010 did not change significantly from December 31, 2009 as the Company did not raise any significant capital during the six months ended June 30, 2010. Total assets increased during the three months ended December 31, 2009 due to the Company raising net proceeds of $32.8 million from a public offering.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2010 the Company had cash of $32.5 million (December 31, 2009 - $36.7 million) and working capital of $32.4 million (December 31, 2009 - $36.2 million). Cash decreased at June 30, 2010 compared to December 31, 2009 due to Sandstorm remitting the first instalment of $5.0 million to Rambler.

CONTRACTUAL OBLIGATIONS

In connection with its VPP agreement with Luna, the Company has committed to purchase 17% of the life of mine gold produced by the Aurizona Project for a per ounce cash payment of the lesser of $400 (subject to a 1% annual inflationary adjustment beginning 3 years after the mine achieves commercial production (an "Inflationary Adjustment")) and the then prevailing market price of gold.

In connection with its VPP agreement with SilverCrest, the Company has committed to purchase 20% of the life of mine gold produced by the Santa Elena Project for a per ounce cash payment of the lesser of $350 (subject to an Inflationary Adjustment) and the then prevailing market price of gold.

In connection with its VPP agreement with Santa Fe, the Company has committed to purchase 50% of the first 10,000 ounces of gold produced, and 22% of the life of mine gold produced thereafter, by the Summit Mine for a per ounce cash payment of the lesser of $400 (subject to an Inflationary Adjustment) and the then prevailing market price per ounce of gold.

In connection with its VPP agreement with Rambler, the Company has committed to make upfront payments of $2.0 million upon Rambler completing a satisfactory NI 43-101 compliant feasibility study and $13.0 million upon Rambler receiving all necessary permits required to construct and operate the Ming Mine. There are no ongoing per ounce payments in connection with this VPP agreement.

SHARE CAPITAL

As of July 26, 2010, the Company had 239,288,380 common shares outstanding.

A summary of the Company's outstanding share purchase options as of July 26, 2010 are as follows:

Outstanding	Vested	Exercise Price	Expiry Date
6,667	6,667	C$0.45	September 23, 2010
40,000	40,000	C$0.10	July 31, 2012
3,600,000	2,400,000	C$0.45	June 16, 2014
700,000	233,334	C$0.44	July 6, 2014
2,000,000	666,668	C$0.435	July 28, 2014
100,000	-	C$0.67	May 19, 2015
6,446,667	3,346,669		

A summary of the Company's outstanding share purchase warrants as of July 26, 2010 are as follows:

	Warrants Outstanding	Exercise Price	Expiry Date
Issued in connection with public offerings (SSL.WT)	99,344,186	$0.60	April 23, 2014

The Company issued 7,014,574 compensation warrants (the "Compensation Warrants") to agents in connection with the Public Offering which closed on April 23, 2009. Each Compensation Warrant entitles the holder to acquire one unit comprised of one common share of the Company and one-half of a share purchase warrant. Each Compensation Warrant has an exercise price of $0.33 and all of the Compensation Warrants were outstanding as of July 26, 2010. Each whole share purchase warrant issued upon exercise of the Compensation Warrants will entitle the holder to purchase one common share at a price of $0.60 until April 23, 2014.

RELATED PARTY TRANSACTIONS

During the three and six months ended June 30, 2010 the Company incurred $51,395 and $104,296 respectively for rent, office costs, and administrative support services (June 30, 2009 - $7,423 and $11,873) to a company controlled by a current director, David DeWitt and a former director, Marcel de Groot.

The transactions have been recorded at their exchange amount, which is the amount of consideration agreed upon by the related parties.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

The Company is not exposed to significant credit, currency, interest rate, liquidity, and other price risks.

RISKS TO SANDSTORM

The primary risk factors affecting the Company are set forth below. For additional discussion of risk factors, please refer to the Company's Annual Information Form dated April 12, 2010, which is available on www.sedar.com.

RISKS RELATING TO MINERAL PROJECTS

To the extent that they relate to the production of gold from, or the operation of, the Aurizona Project, the Santa Elena Project, the Summit Mine, or the Ming Mine (the "Projects"), the Company will be subject to the risk factors applicable to the operators of such Projects.

NO CONTROL OVER MINING OPERATIONS

The Company has no contractual rights relating to the operation or development of the Projects. Except for any payments which may be payable in accordance with applicable completion guarantees or cash flow guarantees, the Company will not be entitled to any material compensation if these mining operations do not meet their forecasted gold production targets in any specified period or if the Projects shut down or discontinue their operations on a temporary or permanent basis. The Projects may not commence commercial production within the time frames anticipated, if at all, and there can be no assurance that the gold production from such properties will ultimately meet forecasts or targets. At any time, any of the operators of the Projects or their successors may decide to suspend or discontinue operations.

GOVERNMENT REGULATIONS

The Projects are subject to various foreign laws and regulations governing prospecting, exploration, development, production, exports, taxes, labour standards, waste disposal, protection and remediation of the environment, reclamation, historic and cultural resources preservation, mine safety and occupation health, handling, storage and transportation of hazardous substances and other matters. The costs of discovering, evaluating, planning, designing, developing, constructing, operating and closing the Projects in compliance with such laws and regulations are significant. It is possible that the costs and delays associated with compliance with such laws and regulations could become such that the owners or operators of the Projects would not proceed with the development of or continue to operate the Projects. Moreover, it is possible that future regulatory developments, such as increasingly strict environmental protection laws, regulations and enforcement policies thereunder, and claims for damages to property and persons resulting from the Projects could result in substantial costs and liabilities in the future.

INTERNATIONAL OPERATIONS

The Aurizona Project is located in Brazil, the Santa Elena Project is located in Mexico, the Summit Mine is located in the United States of America, and the Ming Mine is located in Canada and as such the Projects are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to, terrorism, hostage taking, military repression, crime, political instability, currency controls, extreme fluctuations in currency exchange rates, high rates of inflation, labour unrest, the risks of war or civil unrest, expropriation and nationalization, renegotiation or nullification of existing concessions, licenses, permits, approvals and contracts, illegal mining, changes in taxation policies, restrictions on foreign exchange and repatriation, and changing political conditions, and governmental regulations. Changes, if any, in mining or investment policies or shifts in political attitude in Mexico, Brazil, the United States of America or Canada may adversely affect the operations or profitability of the Projects in these countries. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use, mine safety and the rewarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Projects.

INCOME TAXES

The Company has incorporated a subsidiary in Barbados, Sandstorm Resources (Barbados) Limited, which entered into VPP agreements in connection with the Aurizona, Santa Elena, and Summit transactions. No assurance can be given that new taxation rules will not be enacted or that existing rules will not be applied in a manner which could result in the Company's future profits being subject to taxation.

COMMODITY PRICES

The price of the common shares and the Company's financial results may be significantly adversely affected by a decline in the price of gold. The price of gold fluctuates widely, especially in recent years, and is affected by numerous factors beyond the Company's control, including but not limited to, the sale or purchase of gold by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold-producing countries throughout the world. In the event that the prevailing market price of gold is less than $400 per ounce (subject to an Inflationary Adjustment) in the case of the Aurizona and Summit VPP agreements and $350 per ounce (subject to an Inflationary Adjustment) in the case of the Santa Elena VPP agreement, the purchase price will be the then prevailing market price per ounce of gold and the Company will not generate positive cash flow or earnings on those VPP agreements.

CHANGE IN FUNCTIONAL AND REPORTING CURRENCY

Effective April 1, 2009, the Company changed from a Canadian dollar functional and reporting currency to a U.S. dollar functional and reporting currency. All subsidiaries of the Company measure transactions in a U.S. dollar functional currency. As a result, all comparative amounts were restated to the U.S. dollar. Comparative assets and liabilities were translated using the closing rate at the balance sheet date and comparative equity, income, and expenses were translated at the exchange rates at the dates of the transactions. All resulting exchange differences were recognized in other comprehensive loss.

The Company has elected to report its Canadian federal taxes using a U.S. dollar functional currency.

CHANGES IN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

A) In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 1582 – Business Combinations, 1601 – Consolidated Financial Statements, and 1602 – Non-Controlling Interests. Section 1582 replaces Section 1581 – Business Combinations and establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Sections 1601 and 1602 replace Section 1600 – Consolidated Financial Statements. Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination.

These standards are effective January 1, 2011. Early adoption of the Sections is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted at the same time. Effective January 1, 2010 the Company elected to early adopt these changes.

B) In June 2009, the CICA amended Handbook Section 3855 to clarify the application of the effective interest method after a debt instrument has been impaired and when an embedded prepayment option is separated from its host debt instrument at initial recognition for accounting purposes. The amendments are effective January 1, 2011. Early adoption is permitted. Effective January 1, 2010 the Company elected to early adopt these changes.

FUTURE CHANGES IN ACCOUNTING POLICIES

The Company is required to adopt IFRS on January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

To prepare for the conversion to IFRS, the following plan was developed:

A) Phase 1: Scope and Plan

The Company has ongoing training for appropriate personnel on IFRS standards and an initial assessment on the impact of the IFRS conversion on the Company's opening financial position has been completed. This assessment identified two major differences between the Company's current accounting policies under GAAP and those the Company is required to apply under IFRS as they exist at July 26, 2010. These differences are discussed below. IFRS standards may change prior to the Company's adoption of IFRS and this may impact the initial assessment. The Company does not anticipate any significant changes to its information technology, internal controls over financial reporting, business activities, nor disclosure controls and procedures from the conversion to IFRS. The Company will review and update the IFRS conversion plan as required.

B) Phase 2: Design and Build

Based on a detailed review of IFRS standards, the Company will choose accounting policies and procedures, quantify the impact on key line items and disclosures, and prepare draft financial statements under IFRS.

C) Phase 3: Implement and Review

The Company will implement new accounting policies under IFRS and prepare and report consolidated financial statements under IFRS.

The Company has achieved its milestones to date under its IFRS conversion plan. The Company will continue to monitor and report on its conversion to IFRS according to its conversion plan.

Major Identified Differences:

A) Share purchase warrants with an exercise price denominated in Canadian dollars

Under GAAP, warrants are accounted for at their carrying value within shareholders' equity. Under IFRS warrants that have an exercise price denominated in a currency other than the Company's functional currency meet the definition of a derivative liability and are recorded as a financial liability and are marked-to-market each period. The warrants issued in the April 2008 private placement (the "April 2008 Warrants") have an exercise price denominated in Canadian dollars, which was the Company's functional currency when these warrants were issued. Effective April 1, 2009, the Company changed its functional currency from the Canadian dollar to USD, and in accordance with IFRS, the April 2008 Warrants ceased to meet the definition of an equity instrument and will be recorded at fair value as a derivative liability, with the difference between the fair value and the carrying value, upon transition, being recognized in equity. Subsequent changes in the fair value of the April 2008 Warrants will be recognized as gains or losses in the Statement of Operations until they were exercised or until they expired in April 2010.

B) Impairment of mineral interests

Under GAAP, the Company tests its mineral interests for impairment by first testing for recoverability by comparing the carrying value of each VPP agreement to the undiscounted future cash flows. Under IFRS the Company must compare the carrying amount to the higher of the fair value (less costs to sell) and the value in use. Fair value is computed using discounted future cash flows. While the change in impairment testing will not have an impact on the Company's opening financial position at January 1, 2010, it is a significant change in accounting policy.

During the period leading up to the changeover to IFRS, the Company will continue to monitor changes in both IFRS standards and the Company's transactions and assess any differences in accounting policies between GAAP and IFRS for the Company.

RESERVES AND RESOURCES

The Reserves and Resources in this MD&A reflect the reserves and resources for the mines at which the Company has VPP agreements, adjusted where applicable to reflect the Company's percentage entitlement to gold produced from the mines.

Sandstorm's Portion of Proven and Probable Reserves[1]

	PROVEN			PROBABLE			PROVEN & PROBABLE		
	Tonnes kt	Grade g Au/t	Contained oz	Tonnes kt	Grade g Au/t	Contained oz	Tonnes kt	Grade g Au/t	Contained oz
Aurizona [3,4,6,7,9,11,12,13,14,15]	257	1.44	11,900	2,654	1.31	112,030	2,910	1.32	123,930
Santa Elena [18,20,21,22,24,26]	--	--	--	1,308	1.61	67,920	1,308	1.61	67,920
Total			11,900			179,950			191,850

Sandstorm's Portion of Measured and Indicated Resources [1,2]

	MEASURED			INDICATED			MEASURED & INDICATED		
	Tonnes kt	Grade g Au/t	Contained oz	Tonnes kt	Grade g Au/t	Contained oz	Tonnes kt	Grade g Au/t	Contained oz
Aurizona [5,8,10,16]	275	1.41	12,410	3,324	1.33	142,120	3,599	1.33	154,530
Santa Elena [17,19,23,24,25,26,27]	--	--	--	432	2.75	38,133	432	2.75	38,133
Santa Elena – Underground [17,19,23,24,28,29,30]	--	--	--	217	2.10	14,647	217	2.10	14,647
Ming Mine[31 - 34]	288	2.40	22,202	625	0.90	18,132	913	1.37	40,334

Sandstorm's Portion of Inferred Resources [1,2]

	INFERRED		
	Tonnes kt	Grade g Au/t	Contained oz
Aurizona[5,8,10,16]	1,863	1.14	68,510
Santa Elena[17,19,23,24,25,26]	652	1.11	23,247
Santa Elena - Underground[17,19,23,24,27,28,29]	270	1.94	16,811
Ming Mine[31 -34]	375	2.05	24,685
Total			133,253

Notes:

1. All Mineral Reserves and Mineral Resources have been calculated in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and National Instrument 43-101.
2. Mineral Resources which are not Mineral Reserves, do not have demonstrated economic viability.

For the Aurizona Project:

3. Aurizona Mineral Reserves are fully included in the Mineral Resources.
4. Aurizona Reserves are reported as of June 23, 2009.
5. Aurizona Resources are reported as of January 15, 2009.
6. The mineral reserve estimates set out in the table above have been prepared by Bret C. Swanson, MAusIMM, of SRK, who is a qualified person under NI 43-101. The mineral reserves are classified as proven and probable and are based on the CIM Standards.
7. Reserves on a gold price of $750 per ounce.
8. Resources based on a gold price of $650 per ounce.
9. Mineral reserves are not diluted (further to dilution already incorporated into the mineral resource model) and assume selectivity in mining. Full mining recovery is assumed.

10. The mineral resource estimates set out in the table above have been prepared by Leah Mach, C.P.G., M.Sc., Principal Resource Geologist of SRK, who is a qualified person under NI 43-101. The mineral resources are classified as measured, indicated and inferred and are based on the CIM Standards.
11. Mine reserves are diluted along mineralized boundary to block model SMU of 10mx10mx3m;
12. An internal CoG of 0.35g/tAu was used on Saprolite Rock within the pit design; An internal CoG of 0.37g/t-Au was used on Transition Rock within the pit design; An internal CoG of 0.41g/t-Au was used on Fresh Rock within the pit design.
13. Internal CoG determination includes metallurgical recoveries of 95% in Saprolite, 93% in Transition, and 91% in Fresh ore.
14. In situ Au ounces do not include metallurgical recovery losses.
15. Saprolite is rock between topography and an interpreted floor surface marking the change from highly to moderately weathered rock; Transition is rock between an (upper) interpreted Saprolite floor surface and an interpreted moderately weathered rock floor surface; and Fresh rock is rock below an (upper) interpreted Transition floor surface.
16. Based on 0.3 grams per tonne cut-off grade.

For the Santa Elena Project:

17. Mineral Resources are exclusive of Mineral Reserves.
18. Santa Elena Reserves are reported as of August 2008.
19. Santa Elena Resources are reported as of January 2009.
20. The mineral reserve estimates set out in the table above have been prepared by Graham G. Clow, P.Eng., Principal Mining Engineer at SWRPA, David W. Rennie, P.Eng., Principal Geologist at SWRPA, and C. Stewart Wallis, P.Geo., Associate Consulting Geologist at SWRPA, whom are independent qualified persons under NI 43-101. The mineral reserves are classified as probable and are based on the CIM Standards.
21. Mineral reserves are estimated at a cut-off grade of 0.5 grams of gold per tonne.
22. Mineral reserves are estimated using a long-term gold price of $765 per ounce, a long-term silver price of $11.95 per ounce and a US$/peso exchange rate of 1:10.58.
23. The mineral resource estimates set out in the table above have been prepared by Nathan Eric Fier, C.P.G., P.Eng., Chief Operating Officer of SilverCrest, who is a qualified person under NI 43-101. The mineral resources are classified as indicated and inferred and are based on the CIM Standards.
24. Composites capped at 12 grams of gold per tonne and 300 grams of silver per tonne.
25. Cut-off grade of 0.5 grams of gold equivalent per tonne.
26. Numbers have been rounded.
27. Mineral resources are estimated at a cut-off grade of 0.5 g/t Au equivalent at a ratio of 64:1 using a 100% metallurgical recovery.
28. Underground mineral resources are estimated at a cut-off grade of 1.75 g/t Au equivalent at a ratio of 83:1 (Ag:Au) using a 94% Au recovery and 80% Ag recovery.
29. Mineral resources are estimated using a long-term gold price of $850 per ounce, a long-term silver price of $12 per ounce and a US$/peso exchange rate of 1:10.58.
30. Minimum mining width of 2 metres.

For the Ming Mine:

31. Ming Resources are reported as of February 19, 2009.
32. Cut-off grade of 1.25 grams per tonne gold.
33. Numbers have been rounded.
34. Ming Resources are estimated using a long-term gold price of $800 per ounce, copper price of $1.92 per pound, and silver price of $10 per ounce.

Cautionary Language Regarding Reserves and Resources

For further details regarding the Aurizona Project or the Ming Mine refer to the NI 43-101 Technical Reports, available under the Company's profile at www.sedar.com. For further details regarding the Santa Elena Project, refer to the Pre-Feasibility Study and the Technical Report for the Santa Elena Project, available under the Company's profile at www.sedar.com. Mineral Resources which are not Mineral Reserves, do not have demonstrated economic viability.

INTERIM CONSOLIDATED BALANCE SHEETS

Expressed in U.S. dollars - unaudited

ASSETS	Note	June 30, 2010	December 31, 2009
Current			
Cash		$ 32,453,648	$ 36,708,733
Receivables		15,221	25,018
Prepaid expenses		48,412	26,855
		32,517,281	36,760,606
Equipment		2,028	2,743
Deferred charges		44,937	-
Mineral interests	6	42,410,650	37,373,184
		$ 74,974,896	$ 74,136,533

LIABILITIES	Note	June 30, 2010	December 31, 2009
Current			
Accounts payable and accrued liabilities		$ 107,641	$ 569,575
SHAREHOLDERS' EQUITY			
Share capital	7	59,863,037	57,363,585
Contributed surplus	7	15,734,038	15,889,792
Deficit		(517,577)	525,824
Accumulated other comprehensive loss		(212,243)	(212,243)
		74,867,255	73,566,958
		$ 74,974,896	$ 74,136,533

Nature of operations *(Note 1)*
Contractual obligations *(Note 10)*

ON BEHALF OF THE BOARD:

"Nolan Watson" , Director

"David DeWitt" , Director

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

SANDSTORM RESOURCES LTD.

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

Expressed in U.S. dollars - unaudited

	Note	3 Months Ended June 30, 2010	3 Months Ended June 30, 2009	6 Months Ended June 30, 2010	6 Months Ended June 30, 2009 [1]
Sales		$ 155,036	$ -	$ 155,036	$ -
Cost of sales		50,279	-	50,279	-
Depletion		18,478	-	18,478	-
		(68,757)	-	(68,757)	-
Earnings from operations		86,279	-	86,279	-
Expenses					
Exploration		-	65,195	-	65,195
General and administrative		237,222	52,973	453,542	104,153
Professional fees		25,756	17,497	61,774	40,303
Project evaluation		19,604	8,749	66,669	8,749
Spin-out fees		56,940	-	227,050	-
Stock-based compensation	7	60,214	23,395	278,791	23,395
Total expenses		(399,736)	(167,809)	(1,087,826)	(241,795)
Other items					
Foreign exchange gain (loss)		(87,280)	2,207,906	(64,635)	2,217,388
Interest income		9,349	13,947	22,781	19,831
Write-off of mineral property costs		-	-	-	(130,783)
Total other items		(77,931)	2,221,853	(41,854)	2,106,436
Income (loss) before taxes		(391,388)	2,054,044	(1,043,401)	1,864,641
Income tax expense		-	(129,473)	-	(81,790)
Income (loss) for the period		$ (391,388)	$ 1,924,571	$ (1,043,401)	$ 1,782,851
Retained earnings (deficit) – beginning of period		(126,189)	(476,776)	525,824	(335,056)
Retained earnings (deficit) – end of period		$ (517,577)	$ 1,447,795	$ (517,577)	$ 1,447,795
Basic earnings (loss) per share		$ (0.00)	$ 0.02	$ (0.00)	$ 0.03
Diluted earnings (loss) per share		$ (0.00)	$ 0.02	$ (0.00)	$ 0.02
Weighted average number of common shares					
Basic	7	238,288,451	109,985,335	232,962,532	64,193,688
Diluted	7	265,397,836	115,317,366	255,218,876	74,444,119

1) Translated *(Note 5)*

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

SANDSTORM RESOURCES LTD.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in U.S. dollars - unaudited

	3 Months Ended June 30,		6 Months Ended June 30,	
	2010	2009	2010	2009 [1]
Cash provided by (used in):				
Operating activities				
Income (loss) for the period	$ (391,388)	$ 1,924,571	$ (1,043,401)	$ 1,782,851
Items not affecting cash:				
Depreciation and depletion	18,836	380	19,193	755
Exploration expense paid by share issuance	-	44,138	-	44,138
Future income tax recovery	-	-	-	(47,683)
Stock-based compensation	60,214	23,395	278,791	23,395
Unrealized foreign exchange loss (gain)	92,755	(529,187)	76,681	(529,187)
Write-off of mineral property costs	-	-	-	130,783
Changes in non-cash working capital	(166,358)	158,577	(509,418)	123,719
	(385,941)	1,621,874	(1,178,154)	1,528,771
Investing activities				
Mineral interests	(7,519)	(18,026,000)	(5,064,998)	(18,026,000)
Deferred charges – potential mineral interests	(14,004)	-	(14,004)	-
	(21,523)	(18,026,000)	(5,079,002)	(18,026,000)
Financing activities				
Share and warrant issue proceeds	-	38,066,430	-	38,069,715
Warrants exercised	1,126,332	-	2,566,884	
Share issuance costs	-	(2,528,909)	-	(2,528,909)
Deferred charges – share issuance costs	-	-	-	(10,223)
Spin-out of shares held in Sandstorm Metals & Energy Ltd. to shareholders – cash payment	(492,651)	-	(492,651)	
	633,681	35,537,521	2,074,233	35,530,583
Net increase (decrease) in cash	226,217	19,133,395	(4,182,923)	19,033,354
Cash – beginning of period	32,320,247	792,412	36,708,733	914,503
Effect of exchange rate changes on cash	(92,816)	542,459	(72,162)	520,409
Cash - end of period	$ 32,453,648	$ 20,468,266	$ 32,453,648	$ 20,468,266

1) Translated *(Note 5)*
2) See Note 8 for supplemental cash flow information

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

INTERIM CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME (LOSS)

Expressed in U.S. dollars - unaudited

	3 Months Ended June 30, 2010	3 Months Ended June 30, 2009	6 Months Ended June 30, 2010	6 Months Ended June 30, 2009 [1]
Income (loss) for the period	$ (391,388)	$ 1,924,571	$ (1,043,401)	$ 1,782,851
Other comprehensive income				
Unrealized gain on translation from measurement to reporting currency	-	-	-	1,178
Comprehensive income (loss) for the period	$ (391,388)	$ 1,924,571	$ (1,043,401)	$ 1,784,029

1) Translated *(Note 5)*

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

INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Expressed in U.S. dollars - unaudited

	Common Shares		Contributed Surplus					
	Number	Amount	Options	Warrants	Comp. Warrants	Retained Earnings (Deficit)	Acc. Other Comp. Loss	Total
At Mar. 31, 2009[1]	17,926,000	$ 1,060,081	$ 7,552	$ 441,541	$ -	$ (476,776)	$ (212,243)	$ 820,155
Public offering	198,688,380	60,877,193	-	12,948,264	-	-	-	73,825,457
Comp. warrants issued	-	(2,044,542)	-	-	2,044,542	-	-	-
Share issue costs	-	(5,715,877)	-	-	-	-	-	(5,715,877)
Shares issued for mineral interests	9,000,000	3,111,840	-	-	-	-	-	3,111,840
Shares issued for option payment	100,000	44,138	-	-	-	-	-	44,138
Options exercised	60,000	9,386	(4,530)	-	-	-	-	4,856
Warrants exercised	164,000	21,366	-	(6,997)	-	-	-	14,369
Stock based comp.	-	-	459,420	-	-	-	-	459,420
Net income	-	-	-	-	-	1,002,600	-	1,002,600
At Dec. 31, 2009	225,938,380	$ 57,363,585	$ 462,442	$ 13,382,808	$2,044,542	$ 525,824	$ (212,243)	$73,566,958
Spin-out of subsidiary		(501,978)						(501,978)
Share issue costs recovery		3,895						3,895
Warrants exercised	13,350,000	2,997,535	-	(434,545)	-	-	-	2,562,990
Stock based comp.	-	-	278,791	-	-	-	-	278,791
Net loss	-	-	-	-	-	(1,043,401)	-	(1,043,401)
At June 30, 2010	239,288,380	$ 59,863,037	$ 741,233	$ 12,948,263	$ 2,044,542	$ (517,577)	$ (212,243)	$74,867,255

1) Translated *(Note 5)*

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

Notes to the Interim Consolidated Financial Statements
June 30, 2010
Expressed in U.S. dollars - unaudited

1. NATURE OF OPERATIONS

Sandstorm Resources Ltd. ("Sandstorm" or "the Company") was incorporated under the Business Corporations Act of British Columbia on March 23, 2007. The Company is a resource based company that seeks to acquire gold volume based production payment agreements ("VPPs") from companies that have advanced stage development projects or operating mines. In return for making a one-time upfront payment to acquire a VPP, Sandstorm receives the right to purchase, at a fixed price per ounce, a percentage of a mine's gold production for the life of the mine.

2. BASIS OF PRESENTATION

These interim unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of the financial statements is based on accounting policies and methods of applications as the audited financial statements for the financial period ended December 31, 2009 except those described in Note 3. The accompanying interim unaudited consolidated financial statements should be read in conjunction with the Company's audited financial statements for the period ended December 31, 2009, as they do not include all the information and note disclosure required by Canadian GAAP for annual financial statements.

The Company's reporting currency has been changed effective April 1, 2009 from the Canadian dollar to the U.S. dollar.

3. CHANGES IN ACCOUNTING POLICIES

A) GOLD INVENTORY

Gold inventory is value at the lower of average cost and net realizable value.

B) REVENUE RECOGNITION

Revenue from the sale of precious metals is recognized when persuasive evidence of an arrangement exists, title and risk passes to the buyer, collection is reasonably assured and the price is reasonably determinable. Revenue from the sale of gold may be subject to adjustment upon final settlement of estimated metal prices, weights, and assays. Adjustments to revenue from metal prices are recorded monthly and other adjustments are recorded on final settlement.

C) CHANGES IN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 1582 – Business Combinations, 1601 – Consolidated Financial Statements, and 1602 – Non-Controlling Interests. Section 1582 replaces Section 1581 – Business Combinations and establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Sections 1601 and 1602 replace Section 1600 – Consolidated Financial Statements. Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination.

Expressed in U.S. dollars - unaudited

These standards are effective January 1, 2011. Early adoption of the Sections is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted at the same time. Effective January 1, 2010 the Company elected to early adopt these changes.

In June 2009, the CICA amended Handbook Section 3855 to clarify the application of the effective interest method after a debt instrument has been impaired and when an embedded prepayment option is separated from its host debt instrument at initial recognition for accounting purposes. The amendments are effective January 1, 2011. Early adoption is permitted. Effective January 1, 2010 the Company elected to early adopt these changes.

4. FUTURE CHANGES IN ACCOUNTING POLICIES

The Company is required to adopt IFRS on January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

5. CHANGE IN FUNCTIONAL AND REPORTING CURRENCY

Effective April 1, 2009, the Company changed from a Canadian dollar functional and reporting currency to a U.S. dollar functional and reporting currency. All subsidiaries of the Company measure transactions in a U.S. dollar functional currency. As a result, all comparative amounts were restated to the U.S. dollar. Comparative assets and liabilities were translated using the closing rate at the balance sheet date and comparative equity, income, and expenses were translated at the exchange rates at the dates of the transactions. All resulting exchange differences were recognized in other comprehensive loss.

6. MINERAL INTERESTS

	June 30, 2010			December 31, 2009		
	Cost	Acc. Depletion	Net	Cost	Acc. Depletion	Net
Aurizona, Brazil	$ 19,978,120	$ (18,478)	$ 19,959,642	$ 19,963,481	$ -	$ 19,963,481
Ming, Canada	5,046,522	-	5,046,522	-	-	-
Santa Elena, Mexico	13,341,971	-	13,341,971	13,345,971	-	13,345,971
Summit, U.S.A.	4,062,515	-	4,062,515	4,054,405	-	4,054,405
Other	-	-	-	9,327	-	9,327
Total	$ 42,429,128	$ (18,478)	$ 42,410,650	$ 37,373,184	$ -	$ 37,373,184

The Company's reportable segments are its VPP agreements.

The value allocated to reserves is classified as depletable and is depreciated on a units-of-sale basis over the estimated recoverable proven and probable reserves at the mine. The value associated with resources and exploration potential is the value beyond proven and probable reserves allocated at acquisition and is classified as non-depletable until such time as it is transferred to the depletable category, generally as a result of the conversion of resources or exploration potential into reserves.

Expressed in U.S. dollars - unaudited

	June 30, 2010			December 31, 2009		
	Depletable	Non-depletable	Total	Depletable	Non-depletable	Total
Aurizona	$ 16,930,259	$ 3,029,383	$ 19,959,642	$ 16,936,318	$ 3,027,163	$ 19,963,481
Ming	-	5,046,522	5,046,522	-	-	-
Santa Elena	10,146,383	3,195,588	13,341,971	10,149,425	3,196,546	13,345,971
Summit	4,062,515	-	4,062,515	4,054,405	-	4,054,405
Other	-	-	-	-	9,327	9,327
Total	$ 31,139,157	$ 11,271,493	$ 42,410,650	$ 31,140,148	$ 6,233,036	$ 37,373,184

MING VPP AGREEMENT

On March 4, 2010, the Company entered into an agreement to purchase 25% of the first 175,000 ounces of gold produced, and 12% of the life of mine gold produced thereafter, from Rambler Metals & Mining plc's ("Rambler") Ming mine, located in Canada (the "Ming Mine"), for $20.0 million in staged upfront payments and no ongoing payments per ounce of gold. The first instalment of $5.0 million was paid to Rambler on March 10, 2010. The second instalment of $2.0 million will be paid to Rambler upon completion and delivery to the Company of a satisfactory NI 43-101 compliant feasibility study. The third instalment of $13.0 million will be paid to Rambler upon receipt of all necessary permits required to construct and operate the Ming Mine.

Rambler has provided to the Company the following completion guarantees: (i) that the Ming Mine will begin gold production by September 4, 2011 or Rambler will be required to fully refund the $20.0 million upfront deposit plus 8% interest, compounded annually, (ii) that within 24 months of commencement of production, Rambler will have produced and sold a minimum of 24,000 ounces of payable gold or the Company will have the option to require a partial refund of the upfront deposits, and (iii) that the Company will receive minimum cash flows from the contract of $3.6 million in the first year of production, $3.6 million in the second year of production, and $3.1 million in the third year of production.

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS

A) SHARES ISSUED

PUBLIC OFFERING – APRIL 23, 2009

On April 23, 2009 the Company completed an equity offering of 116,909,580 subscription receipts at a price of C$0.40 per subscription receipt for gross proceeds of C$46.8 million ($38.1 million). On May 22, 2009, each subscription receipt was automatically converted, without additional consideration, into one common share of the Company and one-half of a share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.60 until April 23, 2014. The fair value attributable to the common shares was $32,652,050.

In connection with the public offering, the Company paid agent fees of C$2.8 million ($2.3 million), representing 6% of the gross proceeds. Additionally, the Company issued 7,014,574 Compensation Warrants to the agents, representing 6% of the number of subscription receipts issued. Each Compensation Warrant entitles the holder to acquire one unit comprised of one common share of the Company and one-half of a share purchase warrant. Each Compensation Warrant has an exercise price of

Expressed in U.S. dollars - unaudited

$0.33 and each full share purchase warrant issued upon exercise of the Compensation Warrants will entitle the holder to purchase one common share at a price of $0.60 until April 23, 2014. The Compensation Warrants had a fair value of $2.0 million.

PUBLIC OFFERING – OCTOBER 14, 2009

On October 14, 2009 the Company completed a public offering of 81,778,800 units at a price of C$0.45 per unit, for gross proceeds of C$36.8 million ($35.8 million). Each unit was comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant is exercisable for one common share of the Company at a price of $0.60 and expires April 23, 2014. In connection with this offering, the Company paid agent fees of C$2.6 million ($2.5 million), representing 7% of the gross proceeds. The fair value attributed to the common shares was $28,225,143.

B) STOCK OPTIONS

The Company has an incentive stock option plan (the "Option Plan") whereby the Company may grant stock options to eligible employees, officers, directors and consultants at an exercise price, expiry date, and vesting conditions to be determined by the board of directors. The maximum expiry date is five years from the grant date. All options are equity settled. The Option Plan provides for the issuance of up to 10% of the Company's issued common shares as at the date of the grant.

During the six months ended June 30, 2010, the Company granted 100,000 (2009 – 2,620,000) options to employees with a weighted average exercise price of C$0.67 (2009 – C$0.45) per option. The options vest over a period of two years with a fair value of $22,529 (2009 - $373,541). The weighted-average fair value per employee option of $0.23 (2009 - $0.14) was determined using the Black-Scholes option valuation model with the following weighted-average assumptions:

	June 30, 2010	June 30, 2009
Share and exercise price	C$0.67	C$0.45
Expected dividend yield	0.00%	0.00%
Expected volatility	50%	51%
Risk-free interest rate	1.87%	1.78%
Expected life of options	3 years	3 years

A summary of the Company's options, which includes options issued under the Company's stock option plan at June 30, 2010 and the changes for the period are as follows:

	Number of options	Weighted average exercise price (C$)
Options outstanding at December 31, 2009	6,350,000	0.44
Granted	100,000	0.67
Forfeited	(3,333)	0.45
Options outstanding at June 30, 2010	6,446,667	0.44

Expressed in U.S. dollars - unaudited

A summary of the Company's options as of June 30, 2010 is as follows:

Number	Vested	Price per Share (C$)	Expiry Date
6,667	6,667	0.45	September 23, 2010
40,000	40,000	0.10	July 31, 2012
3,600,000	2,400,000	0.45	June 16, 2014
700,000	233,334	0.44	July 6, 2014
2,000,000	666,668	0.435	July 28, 2014
100,000	-	0.67	May 19, 2015
6,446,667	3,346,669		

The weighted average exercise price for exercisable options at June 30, 2010 was C$0.44.

A summary of stock-based compensation recognized is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Employees	$ 82,055	$ 16,689	$ 182,171	$ 16,689
Non-employees	(21,841)	6,706	96,620	6,706
	$ 60,214	$ 23,395	$ 278,791	$ 23,395

Stock-based compensation for non-employees during the six months ended June 30 was determined using the Black-Scholes option valuation model with the following weighted-average assumptions:

	2010	2009
Share price	C$0.68	C$0.47
Exercise price	C$0.45	C$0.45
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	50%	51%
Risk-free interest rate	1.29%	1.78%
Expected life of options	1.98 years	2.96 years

C) SHARE PURCHASE WARRANTS

On April 23, 2009, the Company granted 58,454,790 warrants in connection with its public offering described in Note 7a. The fair value attributable to the warrants was $5,399,680.

The fair value of the warrants was determined using the Black-Scholes option valuation model using the following assumptions:

Expressed in U.S. dollars - unaudited

	December 31, 2009
Share and exercise price	$0.60
Expected dividend yield	0.00%
Expected volatility	51%
Risk-free interest rate	1.78%
Expected life of warrants	5 years

On October 14, 2009, the Company granted 40,889,396 warrants in connection with its public offering described in Note 7a. The fair value attributed to the warrants was $7,548,584. The fair value of the warrants was determined using quoted market prices of both the common shares and warrants on the date of issue.

A summary of the Company's warrants and the changes for the period are as follows:

	Number of Warrants
Warrants outstanding at March 31, 2009	13,514,000
Issued	99,344,186
Exercised	(164,000)
Warrants outstanding at December 31, 2009	112,694,186
Exercised	(13,350,000)
Warrants outstanding at June 30, 2009	99,344,186

As at June 30, 2010, the Company had 99,344,186 warrants outstanding. Each warrant entitles the holder to purchase one common share at a price of $0.60 until April 23, 2014.
On March 22, 2010, all warrants held in escrow were released. As of June 30, 2010, there were nil warrants held in escrow (December 31, 2009 - 4,428,000).

D) ESCROW SHARES

On March 22, 2010, all common shares held in escrow were released. As of June 30, 2010, there were nil shares held in escrow (December 31, 2009 - 5,592,000).

Expressed in U.S. dollars - unaudited

E) DILUTED EARNINGS (LOSS) PER SHARE

Diluted earnings (loss) per share is calculated based on the following weighted average number of shares outstanding:

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Basic weighted average number of shares	238,288,451	109,985,335	232,962,532	64,193,688
Effect of dilutive securities				
Compensation warrants - shares	4,363,913	2,106,965	4,107,645	1,082,642
Compensation warrants - warrants	430,626	-	133,174	-
Stock options	2,668,344	6,872	2,331,842	179,208
Warrants	19,646,502	3,218,194	15,683,683	8,988,581
Diluted weighted average number of common shares	265,397,836	115,317,366	255,218,876	74,444,119

The following lists the stock options and share purchase warrants excluded from the computation of diluted weighted average number of common shares as they were anti-dilutive:

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Compensation warrants - warrants	-	3,507,287	-	3,507,287
Warrants	-	58,454,790	-	58,454,790

Expressed in U.S. dollars - unaudited

8. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009 [1]
Change in non-cash working capital				
Receivables	$ (3,672)	$ (4,620)	$ 4,501	$ (5,787)
Prepaid expenses	(1,386)	9,438	(21,557)	(11,710)
Accounts payable and accrued liabilities	(161,300)	24,286	(492,362)	11,743
Income taxes payable	-	129,473	-	129,473
	$ (166,358)	$ 158,577	$ (509,418)	$ 123,719
Significant non-cash transactions				
Shares issued for option payment	$ -	$ 44,138	$ -	$ 44,138
Shares issued for acquisition of mineral interest	-	3,111,840	-	3,111,840
Distribution of shares held in Sandstorm Metals & Energy Ltd. to shareholders - Eagle Lake Property	9,327	-	9,327	-
Allocation of deferred charges to mineral interest	-	82,991	-	82,991
Compensation warrants issued for share issuance costs	-	2,044,542	-	2,044,542
Allocation of deferred charges to share issuance costs	-	224,604	-	224,604

1) Translated *(Note 5)*

9. RELATED PARTY TRANSACTIONS

During the three and six months ended June 30, 2010 the Company incurred $51,395 and $104,296 respectively for rent, office costs, and administrative support services (June 30, 2009 - $7,423 and $11,873) to a company controlled by a current director and a former director.

The transactions have been recorded at their exchange amount, which is the amount of consideration agreed upon by the related parties.

10. CONTRACTUAL OBLIGATIONS

In connection with the Aurizona mineral interest (Note 6), the Company has committed to purchase 17% of the life of mine gold produced by the Aurizona Project for a per ounce cash payment of the lesser of $400 (subject to a 1% annual inflationary adjustment beginning 3 years after the mine achieves commercial production (an "Inflationary Adjustment")) and the then prevailing market price of gold.

In connection with the Santa Elena mineral interest (Note 6), the Company has committed to purchase 20% of the life of mine gold produced by the Santa Elena Project for a per ounce cash payment of the lesser of $350 (subject to an Inflationary Adjustment) and the then prevailing market price of gold.

In connection with the Summit mineral interest (Note 6), the Company has committed to purchase 50% of the first 10,000 ounces of gold produced, and 22% of the life of mine gold produced thereafter, by the Summit Mine for a per ounce cash payment of the lesser of $400 (subject to an Inflationary Adjustment) and the then prevailing market price per ounce of gold.

In connection with the Ming mineral interest, the Company has committed to make upfront payments of $2.0 million after Rambler completes a satisfactory NI 43-101 compliant feasibility study and $13.0 million once Rambler receives all necessary permits required to construct and operate the Ming Mine. There are no ongoing per ounce payments in connection with this VPP agreement.

11. SPIN-OUT OF SANDSTORM METALS & ENERGY

On January 4, 2010 Sandstorm incorporated a wholly owned subsidiary named Sandstorm Metals & Energy Ltd. ("Sandstorm Metals & Energy"). On May 13, 2010 Sandstorm transferred its option agreement on the Eagle Lake property owned by Eagle Plains Resources Ltd. located in Saskatchewan, Canada (the "Eagle Lake Property") and working capital of C$500,000 to Sandstorm Metals & Energy in exchange for 6,836,810 common shares of Sandstorm Metals & Energy. Sandstorm thereafter distributed all of its common shares held in Sandstorm Metals & Energy to Sandstorm shareholders. As a result, Sandstorm Metals & Energy is no longer a subsidiary of Sandstorm.