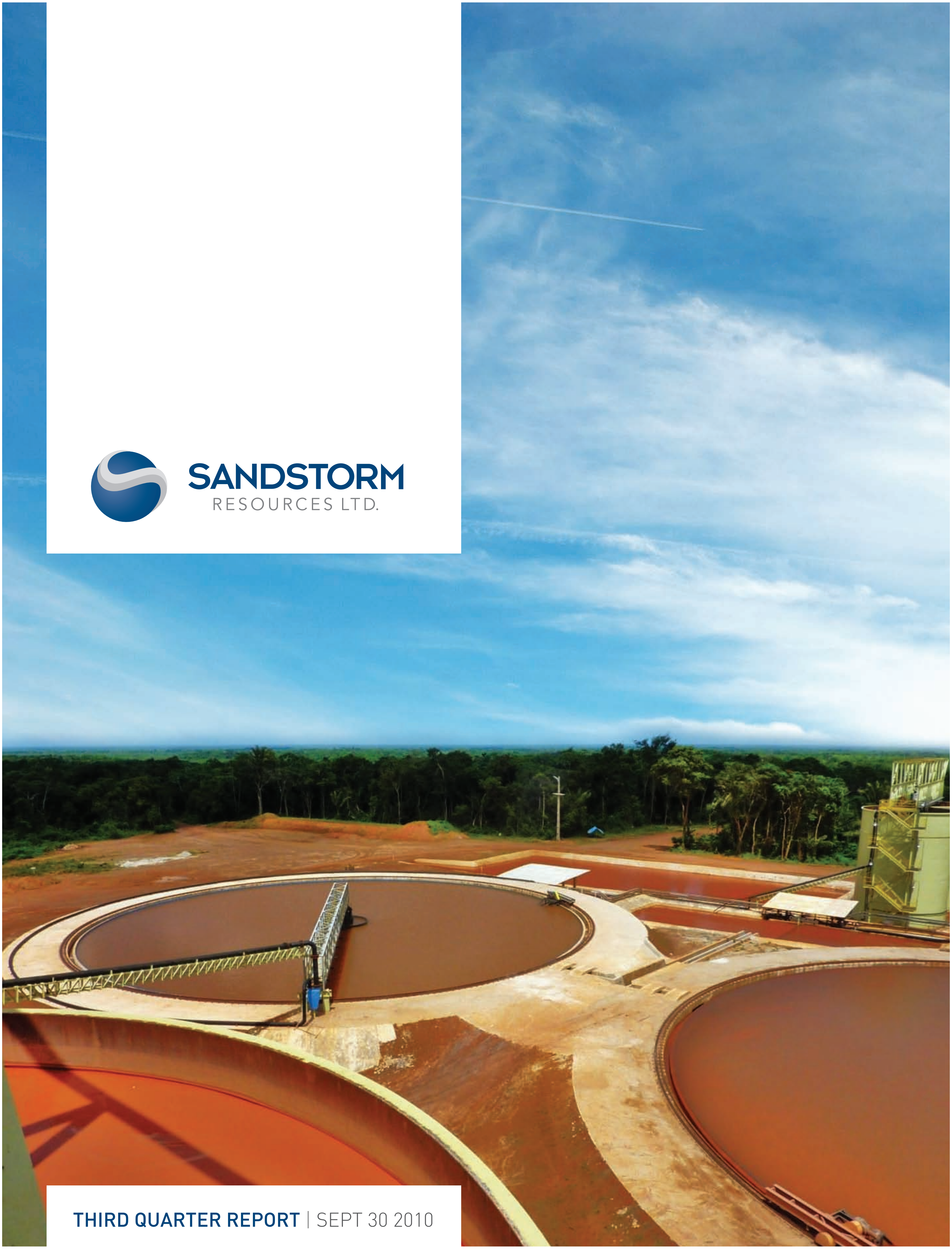
SANDSTORM
RESOURCES LTD.



THIRD QUARTER REPORT | SEPT 30 2010

SANDSTORM RESOURCES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Period Ended September 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 September 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 November 24, 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 five Gold Purchase Agreements 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 DEVELOPMENTS AND STRATEGY

The Company is a growth focused resource company that seeks to acquire gold purchase agreements (“Gold Purchase Agreements”) from companies that have advanced stage development projects or operating mines. In return for making a one-time upfront payment to acquire a Gold Purchase 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 Gold Purchase Agreements from mines with low production costs, significant exploration potential and strong management teams. The Company currently has five Gold Purchase Agreements.

AURIZONA GOLD PURCHASE AGREEMENT

The Company has an agreement to purchase 17% of the life of mine gold produced from Luna Gold Corp.'s ("Luna") open-pit Aurizona mine, located in Brazil (the "Aurizona Mine"). The Aurizona Mine is currently in its commissioning phase, but is expected to ramp up to full commercial production in the first half of 2011. On June 9, 2010 the Company made its first purchase of gold from Luna of 126 ounces and during the three months ended September 30, 2010 Sandstorm purchased 257 ounces of gold from Luna. As the Aurizona Mine did not begin producing material amounts of gold until September 2010 and due to differences between the time the gold is produced at the Aurizona Mine and when it is sold to Sandstorm, the revenue for such production will not be recognized by Sandstorm until the fourth quarter of 2010.

SANTA ELENA GOLD PURCHASE AGREEMENT

The Company has an agreement to purchase 20% of the life of mine gold produced from SilverCrest Mines Inc.'s ("SilverCrest") open-pit Santa Elena mine, located in Mexico (the "Santa Elena Mine"). Construction on the Santa Elena mine has been completed and crushing facilities are operating at full capacity. Phase One of the heap leach pad began loading in the third quarter of 2010 and the Merrill Crowe Plant is operational. SilverCrest completed its first doré pour on September 9, 2010 and SilverCrest expects the Santa Elena Mine to reach design capacity in the first half of 2011.

SUMMIT GOLD PURCHASE AGREEMENT

The Company has 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").

In March 2010, the Summit Mine began commission the Lordsburg milling operations. Since then, Santa Fe has begun shipping concentrate to a European smelter for recovery of gold and silver. The Summit Mine and the Lordsburg Mill are expected to attain commercial production during the first half of 2011.

MING GOLD PURCHASE AGREEMENT

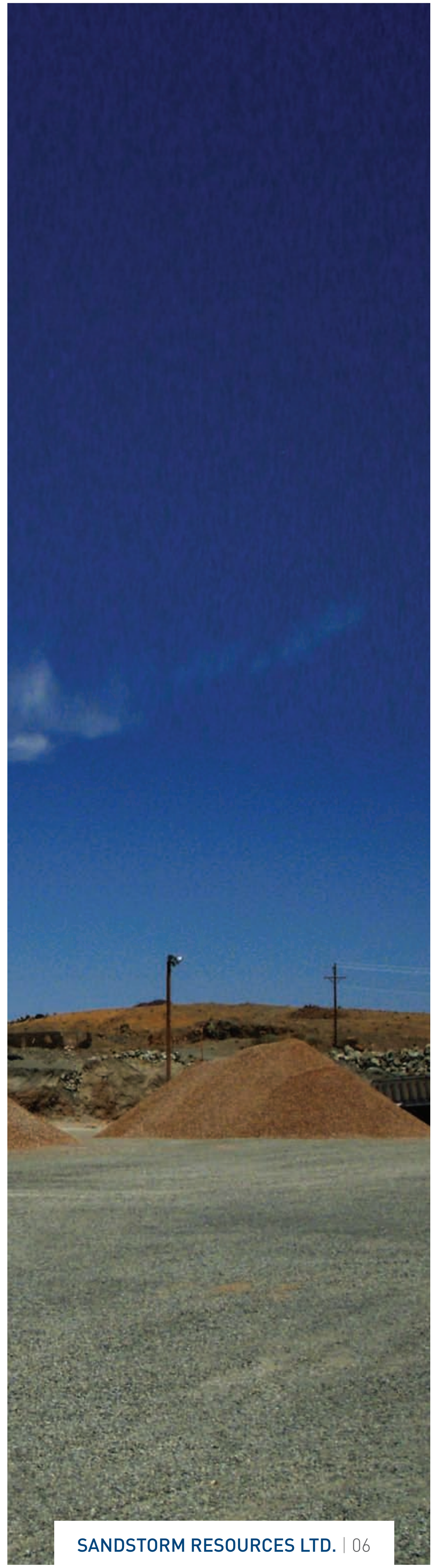
On March 4, 2010 and amended on August 31, 2010, the Company entered into an agreement to purchase approximately 25% of the first 175,000 ounces of gold produced and 12% of the life of mine gold produced thereafter, from Rambler Metals & Mining plc's ("Rambler") Ming mine, located in Canada (the "Ming Mine"). In the event that the metallurgical recoveries of gold at the Ming Mine are below 85%, the percentage of gold that Sandstorm shall be entitled to purchase shall be increased proportionally.

For consideration, the Company paid $5.0 million on March 10, 2010 and $2.0 million on September 7, 2010. A 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. The Company will make no ongoing payments per ounce of gold.

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 and contains the former producing Ming and Ming West copper-gold mines. Progress highlights on the Ming Mine include:

A) A feasibility study has been completed and accepted by Sandstorm.
B) Rambler plans to submit the Development Plan for the entire project to the Provincial Department of Natural Resources and Department of Environment. The acceptance of which will provide Rambler with its last remaining permits for the Ming Mine and the port facilities. Rambler anticipates having these permits awarded prior to year end 2010.
C) Procurement of underground equipment has begun.
D) Rehabilitation of the shaft as a second means of egress has begun.
E) Construction of the building for the concentrator has begun and is expected to be completed before the end of 2010 at which point the concentrator will be installed.



SUBSEQUENT EVENTS

A) PUBLIC OFFERING

On October 19, 2010, the Company completed a public offering of 78,768,100 units at a price of C$0.73 per unit for gross proceeds of C$57.5 million ($55.8 million). Each unit was comprised of one common share of the Company and one-quarter of one common share purchase warrant. Each whole warrant is exercisable into one common share at a price of $1.00 until October 19, 2015. The Company paid underwriter fees of C$4.0 million ($3.9 million) representing 7% of the gross proceeds.

B) BLACK FOX GOLD PURCHASE AGREEMENT

On November 9, 2010, the Company entered into an agreement to purchase 12% of the life of mine gold produced from Brigus Gold Corp.'s ("Brigus") open pit and underground Black Fox mine, located in Canada (the "Black Fox Mine") and 10% of the life of mine gold produced from Brigus' Black Fox extension, which includes a portion of Brigus' Pike River concessions, for $56.3 million as an upfront payment plus ongoing per ounce payments equal to the lesser of $500 (subject to an inflationary adjustment beginning in 2013, not to exceed 2% per annum) and the then prevailing market price per ounce of gold.

Brigus has the option until January 1, 2013 to repurchase 50% of the gold purchase agreement by making a $36.6 million payment to the Company, upon receipt of which, the percentage of gold the Company is entitled to purchase will decrease to 6% for the Black Fox Mine and 4.5% for the Black Fox extension.

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 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 Purchase Agreements and Sandstorm Metals & Energy will focus on base metal and energy purchase agreements.

SUMMARY OF QUARTERLY RESULTS

	Quarters Ended			
	Sept. 30, 2010	*Jun. 30, 2010*	*Mar. 31, 2010*	*Dec. 31, 2009*
Total revenue	$ 321,604	$ 155,036	$ -	$ -
Net loss for the period	(224,549)	(391,388)	(652,013)	(953,876)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)
Total assets	74,847,744	74,974,896	74,814,043	74,136,533
Total long-term liabilities	-	-	-	-
	Sept. 30, 2009	*Jun. 30, 2009*	*Mar. 31, 2009*	*Dec. 31, 2008*
Total revenue	-	-	-	-
Net income (loss) for the period	$ 31,905	$ 1,924,571	$ (141,720)	$ (31,466)
Basic income (loss) per share	0.00	0.02	(0.01)	(0.00)
Diluted income (loss) per share	0.00	0.02	(0.01)	(0.00)
Total assets	42,111,178	41,761,249	1,154,127	1,054,237
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 SEPTEMBER 30, 2010 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2010

The Company incurred a net loss of $0.2 million for the three months ended September 30, 2010 compared to a net loss of $0.4 million for the three months ended June 30, 2010. The reduced loss during the three months ended September 30, 2010 was primarily a result of an increase in earnings from operations of $0.1 million due to the purchase and sale of 257 ounces of gold compared to purchase and sale of 126 ounces of gold during the three months ended June 30, 2010.

THREE MONTHS ENDED SEPTEMBER 30, 2010 COMPARED TO REMAINING QUARTERS

The Company did not have any gold sales prior to the three months ended June 30, 2010. Therefore previous quarter results are not comparable to the quarters ended June 30, 2010 and thereafter.

CHANGE IN TOTAL ASSETS

Total assets at September 30, 2010 did not change significantly from December 31, 2009 as the Company did not raise any significant capital during the nine months ended September 30, 2010. Total assets increased during the three months ended December 31, 2009 due to the Company completing a public offering on October 14, 2009 for net proceeds of $32.8 million.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2010 the Company had cash of $30.4 million (December 31, 2009 - $36.7 million) and working capital of $30.3 million (December 31, 2009 - $36.2 million). Cash decreased at September 30, 2010 compared to December 31, 2009 due to Sandstorm remitting upfront payments totalling $7.0 million to Rambler in accordance with the Rambler Gold Purchase Agreement.

CONTRACTUAL OBLIGATIONS

In connection with its Gold Purchase Agreement with Luna, the Company has committed to purchase 17% of the life of mine gold produced by the Aurizona Mine 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 Gold Purchase Agreement with SilverCrest, the Company has committed to purchase 20% of the life of mine gold produced by the Santa Elena Mine 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 Gold Purchase 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 Gold Purchase Agreement with Rambler, the Company has committed to make an additional upfront payment of $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 Gold Purchase Agreement.

SHARE CAPITAL

As of November 24, 2010, the Company had 318,063,147 common shares outstanding.
A summary of the Company's outstanding share purchase options as of November 24, 2010 are as follows:

Outstanding	Vested	Exercise Price	Expiry Date
40,000	40,000	C$0.10	July 31, 2012
3,600,000	2,400,000	C$0.45	June 16, 2014
700,000	466,667	C$0.44	July 6, 2014
2,000,000	1,333,334	C$0.435	July 28, 2014
100,000	33,334	C$0.67	May 19, 2015
6,440,000	4,273,335		

A summary of the Company's outstanding share purchase warrants as of November 24, 2010 are as follows:

	Warrants Outstanding	Exercise Price	Expiry Date
SSL.WT	99,344,186	$0.60	April 23, 2014
SSL.WT.A	19,692,025	$1.00	October 19, 2015
	119,036,211		

The Company issued 7,014,574 compensation warrants (the "Compensation Warrants") to agents in 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 November 24, 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 nine months ended September 30, 2010 the Company incurred expenses of $49,889 and $154,185 respectively for rent, office costs, and administrative support services (three and nine months ended September 30, 2009 - $70,619 and $82,492 respectively) 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, and accounts payable. 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 short-form prospectus dated October 13, 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 Mine, the Santa Elena Mine, the Summit Mine, the Ming Mine, or the Black Fox Mine (the "Mines"), the Company will be subject to the risk factors applicable to the operators of such Mines.

NO CONTROL OVER MINING OPERATIONS

The Company has no contractual rights relating to the operation or development of the Mines. 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 Mines shut down or discontinue their operations on a temporary or permanent basis. The Mines 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 Mines or their successors may decide to suspend or discontinue operations.

GOVERNMENT REGULATIONS

The Mines 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 Mines 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 Mines would not proceed with the development of or continue to operate the Mines. 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 Mines could result in substantial costs and liabilities in the future.

INTERNATIONAL OPERATIONS

The Aurizona Mine is located in Brazil, the Santa Elena Mine is located in Mexico, the Summit Mine is located in the United States of America, and both the Ming and Black Fox Mines are located in Canada and as such the Mines 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, 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 Mines.

INCOME TAXES

The Company has incorporated a subsidiary in Barbados, Sandstorm Resources (Barbados) Limited, which entered into Gold Purchase 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 \$500 per ounce (subject to an inflationary adjustment in 2013, not to exceed 2% per annum) in the case of the Brigus Gold Purchase Agreement, \$400 per ounce (subject to an inflationary adjustment) in the case of the Aurizona and Summit Gold Purchase Agreements and \$350 per ounce (subject to an inflationary adjustment) in the case of the Santa Elena Gold Purchase Agreement, the purchase will be the then prevailing market price per ounce of gold and the Company will not generate positive cash flow or earnings on those Gold Purchase 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 however all three Sections must be adopted at the same time. Effective January 1, 2010 the Company elected to early adopt these changes. There was no material impact on the Company from this early adoption.

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. There was no material impact on the Company from this early adoption.

FUTURE CHANGES IN ACCOUNTING POLICIES

The Company is required to adopt IFRS on January 1, 2011 which will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010 and as of January 1, 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 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 November 24, 2010. These differences are discussed below. IFRS standards may change prior to the Company's adoption of IFRS and this may impact the 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 has made selections of accounting policies and procedures where a choice was available, has quantified the impact on key line items and disclosures, and prepared draft financial statements under IFRS. IFRS standards may change prior to the Company's adoption of IFRS and this may impact the selection of accounting policies and draft disclosures.

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 Comprehensive Income (Loss) until they were fully exercised by April 2010.

The Company estimates the impact of the above accounting policy difference as compared to its financial statements previously reported under GAAP to be as follows:

	December 31, 2010	January 1, 2010
Total liabilities under GAAP	To be determined	$569,575
Adjustments for differing accounting treatments:		
Warrant liability	-	4,656,676
Total liabilities under IFRS	To be determined	$5,226,251

	Dec. 31, 2010	Sept. 30, 2010	Jun. 30, 2010	Mar. 31, 2010	Jan. 1, 2010
Total equity under GAAP	To be determined	$74,720,028	$74,867,255	$74,574,074	$73,566,958
Adjustments for differing accounting treatments:					
Warrant liability	-	-	-	(3,607,730)	(4,656,676)
Total equity under IFRS	To be determined	$74,720,028	$74,867,255	$70,966,344	$68,910,282

	Year Ended Dec. 31, 2010	9 Months Ended Sept. 30, 2010	6 Months Ended June 30, 2010	3 Months Ended March 31, 2010
Net loss under GAAP	To be determined	$ (224,549)	$(1,043,401)	$(652,013)
Adjustments for differing accounting treatments:				
Warrant liability	(4,303,286)	(4,303,286)	(4,303,286)	(3,629,706)
Net loss under IFRS	To be determined	$(4,527,835)	$(5,346,687)	$(4,281,719)

The losses on the warrant liability are a result of an increasing share price during the periods. These losses have no cash impact and all Canadian dollar denominated warrants were exercised.

The Company will rely on the exemption for first-time adoption of IFRS under IFRS 1: First-time adoption of IFRS not to recognize any financial liabilities resulting from its warrants issued prior to January 1, 2010 with an exercise price denominated in Canadian dollar, which differs from its functional currency, which were all derecognized through exercises prior to January 1, 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 Gold Purchase 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. This difference could lead to statement of comprehensive income volatility in future periods.

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 Gold Purchase 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 [3,4,6-8,10-14]	241	1.46	11,390	2,677	1.36	112,880	2,918	1.37	124,270
Santa Elena [18,20,21,22,24,26]	--	--	--	1,308	1.61	67,920	1,308	1.61	67,920
Ming [32,33,35-37]	209	3.24	21,636	183	2.61	15,340	392	2.40	36,976
Total			33,026			196,140			229,166

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 [5,9,15,16]	255	1.44	11,730	3,336	1.29	142,001	3,591	1.33	153,731
Santa Elena [17,19,23-27]	--	--	--	432	2.75	38,133	432	2.75	38,133
Santa Elena – Underground [17,19,23,24,28-30]	--	--	--	217	2.10	14,647	217	2.10	14,647
Ming[31,32,34,38-40]	411	2.47	32,664	3,004	0.35	34,262	3,415	0.61	66,925

SANDSTORM'S PORTION OF INFERRED RESOURCES (1,2)

	Inferred		
	Tonnes kt	Grade g Au/t	Contained oz
Aurizona[5,9,15,16]	1,859	1.14	68,340
Santa Elena[17,19,23-26]	652	1.11	23,247
Santa Elena - Underground [17,19,23,24,27,28,29]	270	1.94	16,811
Ming[31,32,34,38-40]	591	1.83	34,695
Total			143,093

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 July 13, 2010.
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 based on a gold price of $750 per ounce.
8. Full mining recovery is assumed.
9. 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.
10. Mine reserves are diluted along mineralized boundary to block model SMU of 10mx10mx6m.
11. 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.
12. Internal CoG determination includes metallurgical recoveries of 95% in Saprolite, 93% in Transition, and 91% in Fresh ore.
13. 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.
14. Gold ounces do not include metallurgical recovery losses.
15. Based on 0.3 grams per tonne cut-off grade.
16. Numbers have been rounded.

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 Mineral Reserves are fully included in the Mineral Resources.
32. Ming Reserves and Resources are reported as of August 9, 2010.
33. The mineral reserves have been reviewed and verified by George Darling, P.Eng., who is a qualified person under NI 43-101.
34. The mineral resource estimates have been reviewed and verified by Dave Barbour, P.Geo., who is a qualified person under NI 43-101.
35. No inferred material is included in the reserve tabulation.
36. An underground cut-off was set at $70 per tonne for all longhole mining methods.
37. Cut-off reserves are based on 15% dilution, 90% mining recovery, copper recovery of 92.4%, and gold recovery of 66.4%.
38. Cut-off grades of 1.0 per cent copper for the massive sulphides, 1.25 grams per tonne of gold for the 1806 zone, and 1.25 per cent copper for the stringer sulphides.
39. Mineral resources are estimated using long-term prices of $2.50 per pound of copper, $1,000 per ounce of gold, and $15 per ounce of silver. Zinc does not contribute to the revenues.
40. Numbers have been rounded.

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		September 30, 2010		December 31, 2009
Current					
Cash		$	30,384,650	$	36,708,733
Receivables			19,745		25,018
Prepaid expenses			36,691		26,855
			30,441,086		36,760,606
Deferred charges and other			20,244		2,743
Mineral interests	6		44,386,414		37,373,184
		$	74,847,744	$	74,136,533

LIABILITIES					
Current					
Accounts payable and accrued liabilities		$	127,716	$	569,575
SHAREHOLDERS' EQUITY					
Share capital	7		59,866,906		57,363,585
Contributed surplus	7		15,807,491		15,889,792
Retained earnings (deficit)			(742,126)		525,824
Accumulated other comprehensive loss			(212,243)		(212,243)
			74,720,028		73,566,958
		$	74,847,744	$	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 –

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

Expressed in U.S. dollars - unaudited

	Note	3 Months Ended, September 30 2010	3 Months Ended, September 30 2009	9 Months Ended, September 30 2010	9 Months Ended, September 30 2009[1]
Sales		$ 321,604	$ -	$ 476,640	$ -
Cost of sales		102,872	-	153,151	-
Depletion		37,805	-	56,283	-
		(140,677)	-	(209,434)	-
Earnings from operations		180,927	-	267,206	-
Expenses					
Exploration		-	46,635	-	111,830
General and administrative		220,422	93,397	673,964	197,550
Professional fees		45,074	63,492	106,848	103,795
Project evaluation		142,261	34,484	208,930	47,233
Spin-out of Sandstorm Metals & Energy Fees	11	11,918	-	238,968	-
Stock-based compensation	7	74,404	196,381	353,195	219,777
Total expenses		(494,079)	(438,389)	(1,581,905)	(680,185)
Other items					
Foreign exchange gain (loss)		45,520	334,257	(19,115)	2,551,645
Interest income		43,083	6,564	65,864	26,396
Write-off of mineral property costs		-	-	-	(130,783)
Total other items		88,603	340,821	46,749	2,447,258
(Loss) income before taxes		(224,549)	(97,568)	(1,267,950)	1,767,073
Income tax expense (recovery)		-	129,473	-	47,683
(Loss) income for the period		$ (224,549)	$ 31,905	$(1,267,950)	$ 1,814,756
Basic (loss) earnings per share		$ (0.00)	$ 0.00	$ (0.01)	$ 0.02
Diluted (loss) earnings per share		$ (0.00)	$ 0.00	$ (0.01)	$ 0.02
Weighted average number of common shares					
Basic	7	239,289,612	144,146,319	235,094,735	91,137,432
Diluted	7	239,289,612	153,992,506	235,094,735	100,277,539

1) Translated *(Note 5)*

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in U.S. dollars - unaudited

	3 Months Ended, September 30		9 Months Ended, September 30	
Cash provided by (used in):	2010	2009	2010	2009[1]
Operating activities				
(Loss) income for the period	$ (224,549)	$ 31,905	$(1,267,950)	$ 1,814,756
Items not affecting cash:				
Depreciation and depletion	39,833	400	59,026	1,155
Exploration expense paid by share issuance	-	-	-	44,138
Renouncement of exploration expenditures	-	-	-	(47,683)
Stock-based compensation	74,404	196,381	353,195	219,777
Unrealized foreign exchange and realized foreign exchange on cash	(50,030)	(351,081)	26,651	(2,368,326)
Write-off of mineral property costs	-	-	-	130,783
Changes in non-cash working capital (Note 8)	55,275	(346,753)	(454,142)	(223,034)
	(105,067)	(469,148)	(1,283,220)	(428,434)
Investing activities				
Mineral interests	(2,031,396)	(557,469)	(7,096,394)	(18,581,814)
Fixed Assets	-	-	-	(1,655)
Deferred charges – potential mineral interests	14,004	-	-	-
	(2,017,392)	(557,469)	(7,096,394)	(18,583,469)
Financing activities				
Share and warrant issue proceeds	-	-	-	38,074,239
Warrants and options exercised	2,919	4,524	2,569,802	-
Share issuance costs	-	5,384	-	(2,523,525)
Deferred charges – share issuance costs	-	-	-	(10,223)
Spin-out of shares held in Sandstorm Metals & Energy Ltd. to shareholders – cash payment	-	-	(492,651)	-
	2,919	9,908	2,077,151	(35,540,491)
Effect of exchange rate changes on cash	50,542	333,269	(21,620)	2,341,735
Net increase (decrease) in cash	(2,119,540)	(1,016,709)	(6,302,463)	16,528,588
Cash – beginning of period	32,453,648	20,468,266	36,708,733	914,503
Cash - end of period	$ 30,384,650	$ 19,784,826	$ 30,384,650	$ 19,784,826

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, September 30		9 Months Ended, September 30	
	2010	2009	2010	2009 [1]
(Loss) income for the period	$ (224,549)	$ 31,905	$ (1,267,950)	$ 1,814,756
Other comprehensive income				
Unrealized gain on translation from measurement to reporting currency	-	-	-	1,178
Comprehensive (loss) income for the period	$ (224,549)	$ 31,905	$ (1,267,950)	$ 1,815,934

1) Translated *(Note 5)*

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 March 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
Compensation 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 compensation	-	-	459,420	-	-	-	-	459,420
Net income	-	-	-	-	-	1,002,600	-	1,002,600
At December 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
Options exercised	6,667	3,869	(951)					2,918
Warrants exercised	13,350,000	2,997,535	-	(434,545)	-	-	-	2,562,990
Stock based compensation	-	-	353,195	-	-	-	-	353,195
Net loss	-	-	-	-	-	(1,267,950)	-	(1,267,950)
At September 30, 2010	239,295,047	$ 59,866,906	$ 814,686	$ 12,948,263	$ 2,044,542	$ (742,126)	$ (212,243)	$74,720,028

As at September 30, 2010, the total retained earnings (deficit) and accumulated other comprehensive loss was $(954,369) (December 31, 2009 - $313,581).

1) Translated *(Note 5)*

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 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 purchase agreements ("Gold Purchase Agreements") from companies that have advanced stage development projects or operating mines. In return for making a one-time upfront payment to acquire a Gold Purchase 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.

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) 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.

B) 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.

These standards are effective January 1, 2011. Early adoption of the Sections is permitted but all three Sections must be adopted at the same time. Effective January 1, 2010 the Company elected to early these changes. There was no material impact on the Company from these early adoptions.

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. There was no material impact on the Company from this early adoption.

4. FUTURE CHANGES IN ACCOUNTING POLICIES

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

	September 30, 2010			December 31, 2009		
	Cost	Accumulated Depletion	Net	Cost	Accumulated Depletion	Net
Aurizona, Brazil	$ 19,978,120	$ (56,283)	$ 19,921,837	$ 19,963,481	$ -	$ 19,963,481
Ming, Canada	7,060,091	-	7,060,091	-	-	-
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	$ 44,442,697	$ (56,283)	$ 44,386,414	$ 37,373,184	$ -	$ 37,373,184

The Company's reportable segments are its Gold Purchase Agreements.

The value allocated to reserves is classified as depletable and is depreciated on a units-of-delivered 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 classifed 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.

	September 30, 2010			December 31, 2009		
	Depletable	Non-depletable	Total	Depletable	Non-depletable	Total
Aurizona	$ 16,967,679	$ 2,954,158	$ 19,921,837	$ 16,936,318	$ 3,027,163	$ 19,963,481
Ming	5,006,334	2,053,757	7,060,091	-	-	-
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	$ 36,182,911	$ 8,203,503	$ 44,386,414	$ 31,140,148	$ 6,233,036	$ 37,373,184

MING GOLD PURCHASE AGREEMENT

On March 4, 2010 and amended on August 31, 2010, the Company entered into an agreement to purchase approximately 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"). In the event that the metallurgical recoveries of gold at the Ming Mine are below 85%, the percentage of gold that Sandstorm shall be entitled to purchase shall be increased proportionally.

For consideration, the Company paid $5.0 million on March 10, 2010 and $2.0 million on September 7, 2010. A 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. The Company will make no ongoing payments per ounce of gold.

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 $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 until 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 nine months ended September 30, 2010, the Company granted 100,000 (2009 – 5,320,000) options to employees with a weighted average exercise price of C$0.67 (2009 – C$0.44) per option. The options vest over a period of two years with a fair value of $22,529 (2009 - $672,660). The weighted-average fair value per employee option of $0.23 (2009 - $0.11) was determined using the Black-Scholes option valuation model with the following weighted-average assumptions:

	September 30, 2010	*September 30, 2009*
Share and exercise price	C$0.67	C$0.44
Expected dividend yield	0.00%	0.00%
Expected volatility	50%	45%
Risk-free interest rate	1.87%	1.85%
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 September 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
Exercised	(6,667)	0.45
Forfeited	(3,333)	0.45
Options outstanding at September 30, 2010	6,440,000	0.44

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

Number	Vested	Price per Share (C$)	Expiry Date
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	1,333,334	0.435	July 28, 2014
100,000	-	0.67	May 19, 2015
6,440,000	4,006,668		

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

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

	Three months ended September 30,		**Nine months ended September 30,**	
	2010	2009	2010	2009
Employees	$ 45,233	$ 180,416	$ 227,404	$ 197,105
Non-employees	29,171	15,966	125,791	22,672
	$ 74,404	$ 196,381	$ 353,195	$ 219,777

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

	2010	2009
Share price	C$0.76	C$0.47
Exercise price	C$0.45	C$0.45
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	48%	46%
Risk-free interest rate	1.54%	1.79%
Expected life of options	2.0 years	2.8 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:

	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 September 30, 2010	99,344,186

As at September 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 September 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 September 30, 2010, there were nil shares held in escrow (December 31, 2009 - 5,592,000).

E) DILUTED (LOSS) EARNINGS PER SHARE

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

	Three months ended September 30,		**Nine months ended September 30,**	
	2010	2009	2010	2009
Basic weighted average number of shares	239,289,612	144,146,319	235,094,735	91,137,432
Effect of dilutive securities				
Compensation warrants - shares	-	2,205,655	-	1,204,467
Stock options	-	85,750	-	131,213
Warrants	-	7,554,782	-	7,804,427
Diluted weighted average number of common shares	239,289,612	153,992,506	235,094,735	100,277,539

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 September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Compensation warrants – shares	7,014,574	-	7,014,574	-
Compensation warrants - warrants	3,507,287	3,507,287	3,507,287	3,507,287
Stock Options	6,440,000	3,620,000	6,440,000	-
Warrants	99,344,186	71,804,790	99,344,186	58,454,790

8. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009[1]
Change in non-cash working capital				
Receivables	$ (4,245)	$ 24,543	$ 256	$ 18,756
Prepaid expenses	11,721	(7,572)	(9,836)	(19,282)
Future income tax asset	-	(223,827)	-	(223,827)
Accounts payable and accrued liabilities	47,479	(234,251)	(444,562)	(222,508)
Income taxes payable	-	94,354	-	223,827
	$ 55,275	$ (346,753)	$ (454,142)	$ (223,034)
Significant non-cash transactions				
Shares issued for option payment	$ -	$ -	$ -	$ 44,138
Shares issued for acquisition of mineral interest	-	-	-	3,111,840
Distribution of shares held in Sandstorm Metals & Energy Ltd. to shareholders - Eagle Lake Property	-	-	9,327	-
Allocation of deferred charges to mineral interest	-	-	-	82,991
Compensation warrants issued for share issuance costs	-	-	-	2,044,542
Allocation of deferred charges to share issuance costs	-	-	-	224,604

1) Translated *(Note 5)*

9. RELATED PARTY TRANSACTIONS

During the three and nine months ended September 30, 2010 the Company incurred expenses of $49,889 and $154,185 respectively for rent, office costs, and administrative support services (three and nine months ended September 30, 2009 - $70,619 and $82,492 respectively) 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 Gold Purchase Agreement, the Company has committed to purchase 17% of the life of mine gold produced by the Aurizona mine 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 Gold Purchase Agreement, the Company has committed to purchase 20% of the life of mine gold produced by the Santa Elena mine 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 Gold Purchase Agreement, 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 Gold Purchase Agreement, the Company has committed to make an additional upfront payment of $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 Gold Purchase 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.

12. SUBSEQUENT EVENTS

A) PUBLIC OFFERING

On October 19, 2010, the Company completed a public offering of 78,768,100 units at a price of C$0.73 per unit for gross proceeds of C$57.5 million ($55.8 million). Each unit was comprised of one common share of the Company and one-quarter of one common share purchase warrant. Each whole warrant is exercisable into one common share at a price of $1.00 until October 19, 2015. The Company paid underwriter fees of C$4.0 million ($3.9 million) representing 7% of the gross proceeds.

B) BLACK FOX GOLD PURCHASE AGREEMENT

On November 9, 2010, the Company entered into an agreement to purchase 12% of the life of mine gold produced from Brigus Gold Corp.'s ("Brigus") open pit and underground Black Fox mine, located in Canada (the "Black Fox Mine") and 10% of the life of mine gold produced from Brigus' Black Fox extension, which includes a portion of Brigus' Pike River concessions, for $56.3 million as an upfront payment plus ongoing per ounce payments equal to the lesser of $500 (subject to an inflationary adjustment beginning in 2013, not to exceed 2% per annum) and the then prevailing market price per ounce of gold.

Brigus has the option until January 1, 2013 to repurchase 50% of the gold purchase agreement by making a $36.6 million payment to the Company, upon receipt of which, the percentage of gold the Company is entitled to purchase will decrease to 6% for the Black Fox Mine and 4.5% for the Black Fox extension.