



Third Quarter Report

SEPTEMBER 30, 2011

UNAUDITED

Sandstorm Metals & Energy Ltd.

Management's Discussion And Analysis

For the period ended September 30, 2011

This Management's Discussion and Analysis ("MD&A") for Sandstorm Metals & Energy Ltd. ("Sandstorm" or the "Company") should be read in conjunction with the unaudited condensed consolidated interim financial statements of Sandstorm for the three and nine months ended September 30, 2011 and related notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In addition, readers are encouraged to consult the Company's audited consolidated financial statements for the year ended December 31, 2010 and the corresponding notes to the financial statements which are available on SEDAR at www.sedar.com. The information contained within this MD&A is current to November 9, 2011 and all figures are stated in U.S. dollars unless otherwise noted.

HIGHLIGHTS

- The Company has over \$39 million in cash with which to pursue commodity streaming transactions. In addition, Sandstorm has minimum cash flow guarantees from its partners totalling \$92 million. The minimum cash flow guarantees and cash on hand totalling \$131 million positions the Company well in the current market.
- On July 12, 2011, the Company entered into a Copper Stream agreement with Donner Metals Ltd. to purchase 17.5% of all copper for the life of mine at the Bracemac-McLeod Property. This stream marks the Company's entrance into the base metals sector and continues the Company's diversification of commodity exposure within a strong portfolio of stream agreements.
- On July 13, 2011, the Company entered into an Energy Stream agreement with Thunderbird Energy Corporation to purchase 35% of all natural gas for the life of the Gordon Creek Property.
- On August 3, 2011, the Company completed an equity financing for gross proceeds of C\$48.8 million (\$51.4 million).

OVERVIEW

Sandstorm is a growth focused company that seeks to acquire base metal and energy purchase agreements (a "Metal Stream" or an "Energy Stream" or a "Commodity Stream") from companies that have advanced stage development projects or operating mines. In return for making upfront payments to acquire a Commodity Stream, Sandstorm receives the right to purchase, at a fixed price per unit, a percentage of a project's production for the life of the project. Sandstorm helps other companies in the resource industry grow their businesses, while acquiring attractive assets in the process. The Company is focused on acquiring Commodity Streams from projects with low production costs, significant exploration potential and strong management teams. The Company currently has nine Commodity Streams.



Coal Streams

NOVADX VENTURES CORP.

Sandstorm has two Coal Stream agreements with Novadx Ventures Corp. (“Novadx”) to acquire 25% of the first 3.8 million tons of metallurgical equivalent coal produced (where the value of three tons of thermal coal equals one ton of metallurgical equivalent coal), and 16% of the life of mine coal produced thereafter from the Rosa Mine and the Rex No. 1 Mine.

The Company made payments of \$5.0 million during the year ended December 31, 2010 and \$25.0 million during the three months ended March 31, 2011. The Company will also make ongoing per ton payments equal to the lesser of (i) \$75 for metallurgical coal and \$55 for thermal coal, both of which are subject to certain price adjustments (“Novadx Fixed Price”), and (ii) the prevailing market prices for metallurgical and thermal coal, respectively. In accordance with such adjustments, if any coal extracted or produced from the Novadx Mines is sold to an off-taker at the applicable pit mouth, then the Novadx Fixed Price shall be reduced by \$10 per ton for metallurgical coal and \$5 per ton for thermal coal. In the third quarter of 2011, the Company was informed that Novadx would not be proceeding with the acquisition of the Ikerd Mines. As a result, Sandstorm will no longer be remitting the \$8 million payment that was due to Novadx upon the completion of the Ikerd acquisition.

The Company is not required to contribute to any capital or exploration expenditures in respect to the mining operations of Novadx. Novadx has provided Sandstorm with a guarantee that the Sandstorm will receive minimum cash flows of \$3.0 million in 2011, \$5.0 million in 2012, \$6.0 million in 2013, and \$8.0 million in each of 2014 and 2015.

The Rosa Mine is a currently producing auger mine and is expanding its strip mining operations in addition to increased auger mining operations. Construction of the Rosa wash plant was recently completed and is now entering the commissioning phase. Novadx had previously stockpiled a portion of its coal production, in anticipation of the wash plant becoming operational, and has recently begun processing this coal through the new facility for sale to market. To further supplement production, a second auger is scheduled for delivery in November 2011.



The Rex No. 1 Mine is a development asset expected to begin production during the first half of 2012. There is ongoing construction at the mine including surface infrastructure, development of additional mains to support future operations, rehabilitation of access ramps and preparation of underground mining equipment.

A second continuous miner will begin operating during the first half of 2012.

Coal Streams

ROYAL COAL CORP.

The Company has three Coal Stream agreements with Royal Coal Corp. (“Royal Coal”) to acquire 18% of the first 6.0 million tons of coal produced, and 12% of the life of mine coal produced thereafter from the Big Branch Mine, the Big Branch Extension, and the SID Mine.

The Company made payments of \$11.0 million during the three months ended March 31, 2011. The Company will also make ongoing per ton payments equal to the lesser of (i) \$55, subject to certain adjustments (the “RC Fixed Price”) and (ii) the prevailing market price for coal. In accordance with such adjustments, if any coal extracted or produced from the Royal Coal Mines is sold to an off-taker at the applicable coal pit mouth, then the RC Fixed Price shall be reduced by \$5.00 per ton. If the realized sales price exceeds \$90 per ton and the cost of production exceeds \$65 per ton, then the RC Fixed Price shall be increased by \$7.00 per ton.

The Company is not required to contribute to any capital or exploration expenditures in respect to the mining operations of Royal Coal. Royal Coal has provided the Company with a guarantee that the Company will receive minimum cash flows of \$2.0 million in 2011 and \$2.5 million in each of 2012, 2013, 2014 and 2015.



The Big Branch Mine is currently an operating strip and contour mine. The operation is currently operating at a 35,000 ton per month run rate and is expected to increase once the Big Branch Extension becomes operational. The coal is trucked a short distance to Royal Coal’s self-operated load out facility. The coal does not need to be washed resulting in lower cost of production.

The SID Mine is expected to begin production in 2012. Access and site development is expected to begin by the end of 2011 and during operation, the strip ratio is expected to be 16:1. The asset is permitted for strip and contour mining but could also continue with auger and high wall mining methods. Significant opportunities exist to increase the resource through additional permitting and pursuing leases contiguous with the currently planned mined area.

Energy Streams

TERREX ENERGY INC.

On March 18, 2011, Sandstorm entered into Energy Streams with Terrex Energy Inc. (“Terrex”) to purchase (i) 25% of all oil and natural gas produced for the life of the Two Creek Jurassic A property and for five years of the Two Creek Jurassic B property (the “Two Creek Property”), and (ii) 15% of all oil and natural gas produced from the Strathmore property. All properties are located in Alberta, Canada. The Company made an upfront payment of C\$14.7 million (\$15.0 million) and will make ongoing per unit payments (the “Terrex Fixed Price”) of C\$15.00 per barrel of oil delivered and C\$1.00 per 1,000 cubic feet (“Mcf”) of natural gas delivered. Commencing on March 18, 2016, the Terrex Fixed Price will increase 2% per annum. Sandstorm will also pay the direct transportation and royalty costs associated with its share of oil and natural gas.

The Two Creek Property includes approximately 16 producing wells in two separate oil pools on 4,320 acres of land. Two additional wells are expected to be drilled on the Two Creek Property by the end of 2012 and a chemical flood is expected to be implemented within the next three years. The Strathmore property includes approximately 10 producing wells in one main oil pool on 3,131 acres of land. A chemical flood enhanced oil recovery program is scheduled to be implemented in late 2011. Both properties are characterized by relatively large original oil-in-place reservoirs with comparatively low recoveries to date.



The Company is not required to contribute any further capital, exploration or operating expenditures to Terrex. Terrex has provided the Company with a guarantee that the Company will receive minimum before tax cash flows of C\$0.5 million in 2011, C\$1.1 million in 2012, C\$1.8 million in 2013, C\$2.2 million in 2014, C\$2.6 million in 2015, C\$2.4 million in 2016, C\$2.2 million in 2017 and C\$1.9 million in 2018. Terrex has also provided minimum development commitments including the drilling of two wells at the Two Creek Property and the implementation of a chemical flood enhanced oil recovery program at both the Two Creek and Strathmore properties.

Until March 18, 2013, Terrex has the option to repurchase 50% of the Terrex Energy Stream by making a C\$9.55 million payment to Sandstorm, upon receipt of which, the percentage of production the Company is entitled to purchase will decrease to 12.5% at the Two Creek Property and 7.5% at the Strathmore property.

Energy Streams

THUNDERBIRD ENERGY CORPORATION

On July 13, 2011 the Sandstorm entered into an Energy Stream with Thunderbird Energy Corporation (“Thunderbird”) to purchase 35% of all the natural gas produced on the mineral interests leased by Thunderbird at the Gordon Creek Property, located in Utah, the United States of America (the “Gordon Creek Property”). Thunderbird is contractually obligated to workover 5 net wells and drill an additional 50 net wells on the Gordon Creek Property.

For consideration, the Company made an initial upfront payment of \$15.0 million in the third quarter of 2011 and will make a further upfront payment of \$10.0 million by May 15, 2012. Additionally, the Company will make ongoing per unit payments of \$1.00 per Mcf of natural gas delivered plus 20% of the marketing price received by Thunderbird that is above \$4.00 per Mcf of natural gas delivered. The Company will also be responsible for certain production taxes that are estimated to be 4.5% of revenue.

The Company is not required to contribute any further capital, exploration, or operating expenditures to Thunderbird. Thunderbird has provided a before tax cash flow guarantee that the Company will receive \$2.3 million in 2012, \$5.1 million in 2013, \$4.6 million in 2014, \$4.2 million in 2015, \$3.8 million in 2016, \$3.3 million in 2017 and \$1.7 million in 2018. The cash flow guarantees will not apply if volumes purchased by the Company exceed a certain amount in an applicable calendar year.



Until December 31, 2013, Thunderbird has the option to repurchase 50% of the Thunderbird Energy Stream by making a \$16.25 million payment to the Company, upon receipt of which, the percentage of natural gas the Company will be entitled to purchase will decrease to 17.5%.

If Thunderbird drills additional wells on the Gordon Creek Property over and above the minimum 50 net wells, the Company has the option to have production from the additional net wells form a part of the Thunderbird Energy Stream by providing additional production payment advances to Thunderbird at an agreed amount per well.

Thunderbird has recently announced that drilling and workover operations are underway at the Gordon Creek natural gas field. Over the course of the balance of 2011 and the beginning of 2012, 50 new wells and 5 new workovers are expected to be carried out.

Copper Stream

DONNER METALS LTD.

On July 12, 2011 Sandstorm entered into a Copper Stream with Donner Metals Ltd. (“Donner”) to purchase 17.5% of the life of mine copper produced from the Bracemac-McLeod development property located in Quebec, Canada (the “Bracemac-McLeod Property”) which is operated by Xstrata Canada Corporation (“Xstrata”). Donner is the owner of a 35% joint venture interest in the Bracemac-McLeod Property.

During the three months ended September 30, 2011, the Company made a payment of \$17.75 million for the Donner Copper Stream. Furthermore, the Company subscribed for 6,428,571 common shares in the capital of Donner for \$2.25 million. Donner has provided a cash flow guarantee that the Company will receive minimum before tax cash flows of \$5.7 million in 2013, \$5.1 million in 2014, \$5.6 million in 2015 and \$3.6 million in 2016.

The Company will make ongoing per pound payments equal to the lesser of \$0.80 per pound of copper and the then prevailing market price of copper. If the spot price of copper falls below \$2.75 per pound, the per pound payments will decrease and be equal to the lesser of \$0.55 per pound of copper and the then prevailing market price of copper. Once the Company has purchased 14.8 million pounds of copper under the agreement, the per pound payments will be increased by \$0.25 per pound to \$1.05 per pound (or \$0.80 per pound if the spot price of copper falls below \$2.75 per pound). The Company is not required to contribute any further capital, exploration, or operating expenditures to Donner.

On the date that Donner receives the remaining \$5.0 million of the upfront deposit, it will issue to the Company C\$1.4 million worth of common shares. The Company has agreed that unless there is an event of default, the Company will not sell any of the common shares of Donner or any interest therein prior to June 30, 2012.

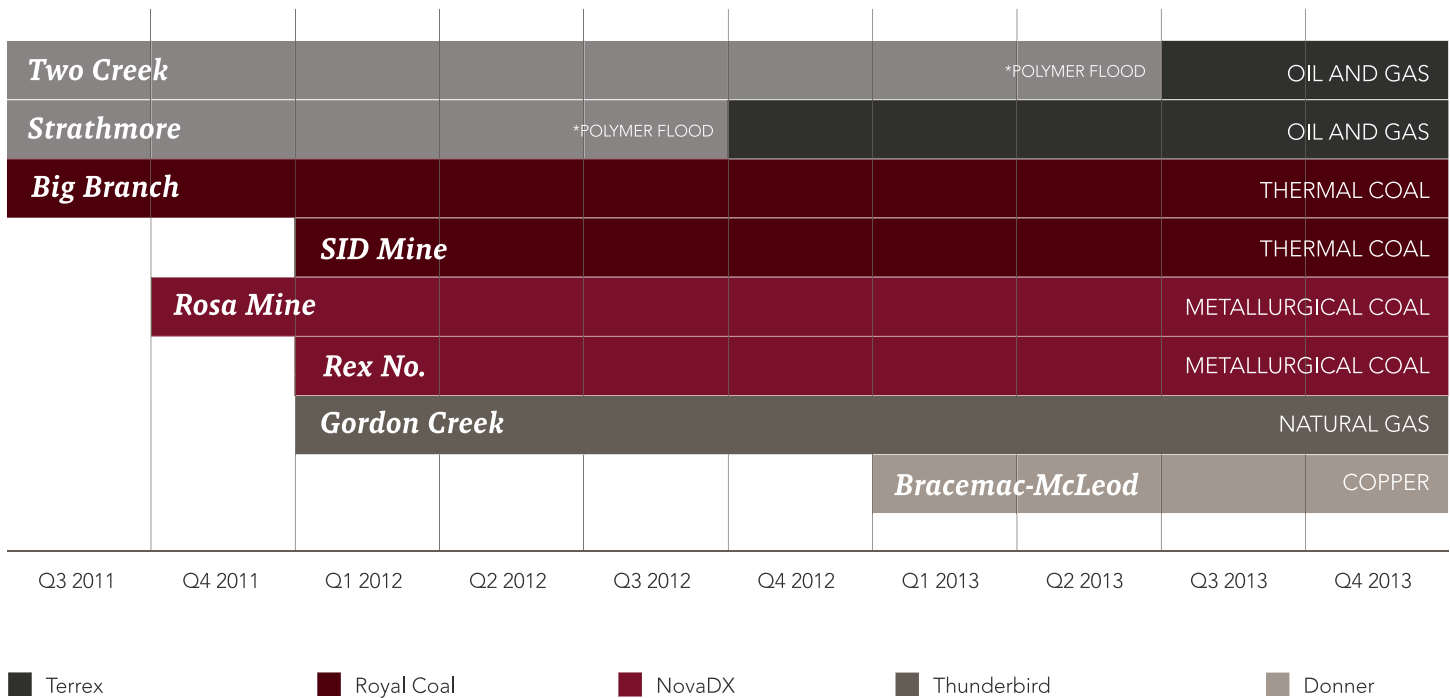
From December 31, 2011 to December 31, 2013, Donner has the option to repurchase 50% of the Donner Copper Stream by making a \$14.0 million payment to the Company, upon receipt of which, the percentage of copper the Company will be entitled to purchase will decrease to 8.75%.

With respect to recent developments, the Bracemac ramp has passed 2,010 metres and is consistently surpassing the feasibility estimated rate of 4.5 metres per day. Multiple face developments of the Bracemac zones and the construction of vent raises will commence when the ramp reaches 2,300 metres.

The Company also entered into an agreement with Donner, to purchase 17.5% of the life of mine gold and gold equivalent produced from the Bracemac-McLeod Property, whereby an upfront payment of \$5.0 million is required by June 30, 2012. Concurrently, the Company entered into a purchase agreement with Sandstorm Gold Ltd. (“Sandstorm Gold”) to sell all of the gold and gold equivalent ounces purchased from Donner in return for Sandstorm Gold remitting the \$5.0 million upfront payment and certain ongoing per ounce payments.



Production Schedules



Equity Financing

On August 3, 2011, Sandstorm completed a public offering of 88,650,000 units at a price of C\$0.55 per unit, for gross proceeds of C\$48.8 million (\$51.4 million). Each unit was comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.70 until December 23, 2012. In connection with this offering, the Company paid agent fees of C\$2.9 million (\$3.1 million), representing 6% of the gross proceeds.

Summary of Quarterly Results

In \$000s	Quarters Ended			
	Sep 30, 2011	June 30, 2011	Mar 31, 2011	Dec 31, 2010 ¹
Coal tons sold	14,325	18,416	11,760	-
Coal sales	\$ 1,099	\$ 1,197	\$ 762	\$ -
Coal royalty revenue	172	187	112	-
Average realized coal price per ton	76.70	64.98	64.77	-
Average coal cash cost per ton (see Non-IFRS Measures)	54.48	51.35	52.93	-
Oil sold (barrels)	4,288	3,774	-	-
Oil & gas sales, net of royalties	\$ 328	\$ 363	\$ -	\$ -
Average realized oil price per barrel	75.19	90.09	-	-
Average oil cash cost per barrel (see Non-IFRS Measures)	15.40	15.49	-	-
Net income (loss)	371	(549)	(249)	(256)
Basic and diluted earnings (loss) per share	0.00	(0.00)	(0.00)	(0.04)
Total assets	138,207	92,596	92,301	372
Total long-term liabilities	-	-	-	-

In \$000s	Sep 30, 2010 ¹	June 30, 2010 ¹	Mar 31, 2010 ^{1,2}
Coal sales	\$ -	\$ -	\$ -
Coal royalty revenue	-	-	-
Oil & gas sales	-	-	-
Net loss	(198)	(44)	-
Basic and diluted loss per share	(0.03)	(0.01)	(0.00)
Total assets	372	521	-
Total long-term liabilities	-	-	-

1. The quarters in 2010 were previously reported under Canadian generally accepted accounting principles ("GAAP") and have been restated to IFRS.

2. The Company was incorporated January 4, 2010, therefore there are no periods prior to that date.

The Company's operating segments for the three months ended September 30, 2011 are summarized in the table below:

In \$000s	Tons sold	Barrels sold	Sales	Cost of sales	Depletion	Net income (loss)	Cash from (used in) operations
Novadx	-	-	\$ -	\$ -	\$ -	\$ -	\$ -
Royal Coal	14,325	-	1,271	780	139	352	236
Terrex	-	4,288	328	79	106	143	219
Donner	-	-	-	-	-	-	-
Thunderbird	-	-	-	-	-	-	-
Corporate	-	-	-	-	-	(124)	(1,501)
Consolidated	14,325	4,288	\$ 1,599	\$ 859	\$ 245	\$ 371	\$ (1,046)

The Company's operating segments for the three months ended June 30, 2011 are summarized in the table below:

In \$000s	Tons sold	Barrels sold	Sales	Cost of sales	Depletion	Income (loss) before taxes	Cash from (used in) operations
Novadx	-	-	\$ -	\$ -	\$ -	\$ -	\$ -
Royal Coal	18,416	-	1,384	946	228	209	365
Terrex	-	3,774	363	72	98	194	241
Corporate	-	-	-	-	-	(952)	(561)
Consolidated	18,416	3,774	\$ 1,747	\$ 1,018	\$ 326	\$ (549)	\$ 45

The Company's operating segments for the three months ended March 31, 2011 are summarized in the table below:

In \$000s	Tons sold	Barrels sold	Sales	Cost of sales	Depletion	Income (loss) before taxes	Cash from (used in) operations
Novadx	-	-	\$ -	\$ -	\$ -	\$ -	\$ -
Royal Coal	11,760	-	874	623	64	187	99
Terrex	-	-	-	-	-	-	-
Other	-	-	-	-	-	(77)	-
Corporate	-	-	-	-	-	(359)	(555)
Consolidated	11,760	-	\$ 874	\$ 623	\$ 64	\$ (249)	\$ (456)

THREE MONTHS ENDED SEPTEMBER 30, 2011 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2011

Net income for the three months ended September 30, 2011 was \$0.4 million compared with a net loss of \$0.5 million for the three months ended June 30, 2011. This increase in net income is attributable to a number of factors including:

- a gain of \$0.7 million resulting from the settlement of a foreign exchange contract relating to the conversion of the Company's Canadian dollar-denominated public offering into US dollars; and
- a decrease of \$0.1 million in each of the Company's professional fees and non-cash stock based compensation expenses.

Seven of the Company's nine Commodity Streams are currently either under development or obtaining permits. Accordingly, for the three months ended September 30, 2011, the Company's cash flows from Commodity Streams only included:

- coal sales from the Big Branch Mine; and
- oil and gas sales from the Terrex Energy Streams.

Volumes of production from the Terrex Energy Streams are expected to increase materially upon implementation of the polymer floods at Strathmore and Two Creek in 2012 and 2013, respectively. Additionally, the Big Branch Mine is currently ramping up towards commercial production. Consequently, while there was only a marginal increase of \$0.1 million in gross profit when compared to the three months ended June 30, 2011, the Company is expected to realize higher net income and cash flow from operations in 2012 and subsequent years resulting from the enhancements to the Big Branch Mine and Terrex Energy Stream properties, as well as from:

- an increase in expected coal sales as the Company begins purchasing coal from the SID mine, Big Branch Extension, the Rosa Mine and the Rex No. 1 Mine during 2012;
- the Company's newly acquired Thunderbird Energy Stream on the Gordon Creek Property; and
- the Donner Stream on the Bracemac-McLeod Property.

THREE MONTHS ENDED SEPTEMBER 30, 2011 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2011

Net income for the three months ended September 30, 2011 was \$0.4 million compared with a net loss of \$0.2 million for the three months ended March 31, 2011. This increase in net income is attributable to a combination of factors including:

- a gain of \$0.7 million resulting from the settlement of a foreign exchange contract relating to the conversion of the Company's Canadian dollar-denominated public offering into US dollars;
- an increase of \$0.3 million in gross profit primarily driven by a 22% increase in coal tons produced and sold; partially offset by
- an increase of \$0.1 million in each of the Company's professional fees, non-cash stock based compensation and corporate administration costs primarily driven by the Company's growth.

THREE MONTHS ENDED SEPTEMBER 30, 2011 COMPARED TO THE THREE MONTHS ENDED DECEMBER 31, 2010

Net income for the three months ended September 30, 2011 was \$0.4 million compared with a net loss of \$0.3 million for the three months ended December 31, 2010. This increase in net income is attributable to a combination of factors including:

- a gain of \$0.7 million resulting from the settlement of a foreign exchange contract relating to the conversion of the Company's Canadian dollar-denominated public offering into US dollars; and
- an increase of \$0.5 million in gross profit as the Company did not have any cash flows from Commodity Streams in 2010.

THREE MONTHS ENDED SEPTEMBER 30, 2011 COMPARED TO THE REMAINING QUARTERS

Prior to the three months ended March 31, 2011, the Company did not have any sales from Commodity Streams as the upfront payments for the Royal Coal and Novadx Coal Streams did not occur until January 2011. Therefore, previous quarterly results are not comparative to the three months ended September 30, 2011. During the three months ended September 30, 2010, the Company incurred a net loss of \$0.2 million due to exploration expenses incurred on the Eagle Lake property. The Company terminated its option agreement on the Eagle Lake property in May 2011. The Company did not incur any significant costs prior to the completion of a spin-out from Sandstorm Gold and hence it did not incur significant losses for the periods ended March 31, 2010, June 30, 2010 and September 30, 2010.

CHANGE IN TOTAL ASSETS

The Company's total assets increased by \$45.6 million from June 30, 2011 to September 30, 2011 primarily resulting from the Company's August 3, 2011 equity financing. Total assets increased by \$0.3 million from March 31, 2011 to June 30, 2011 primarily resulting from an increase in receivables due to higher sales. Total assets at March 31, 2011 decreased \$0.5 million when compared to December 31, 2010 due partially to the net loss of \$0.2 million incurred during the three months ended March 31, 2011. Total assets at December 31, 2010 increased \$92.4 million from September 30, 2010 due to an equity financing completed on December 23, 2010 where the Company raised net proceeds of \$91.7 million. Total assets at June 30, 2010 and September 30, 2010 consisted primarily of C\$0.5 million in cash received from Sandstorm Gold when the Company was spun-out from Sandstorm Gold.

Non-IFRS Measures

The Company has included in this MD&A a non-IFRS performance measure of total cash costs. This non-IFRS measure does not have any standardized meaning prescribed by IFRS, nor is it necessarily comparable with similar measures provided by other companies. Cash costs are presented as they represent an industry standard method of comparing certain costs on a per unit basis. The Company believes that certain investors use this information to evaluate the Company's performance. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Company's total cash costs were equivalent to the Company's costs of sales in accordance with IFRS.

Liquidity and Capital Resources

As at September 30, 2011, the Company had cash of \$39.3 million (December 31, 2010 - \$84.4 million) and working capital of \$43.8 million (December 31, 2010 - \$83.4 million). The Company invests surplus cash in short-term, high credit quality, money market instruments. In the opinion of management, the Company's current cash resources and future cash flows will be sufficient to cover administrative expenses and costs of operations.

Total cash decreased from December 31, 2010 to September 30, 2011, primarily related to the Company making payments of \$25.0 million to Novadx, \$11.0 million to Royal Coal, \$15.0 million (C\$14.7 million) to Terrex, \$20.0 million to Donner, and \$15 million to Thunderbird in connection with the acquisitions of the respective Commodity Streams. As described earlier, these expenditures were partially offset by the Company's third quarter equity financing for gross proceeds of C\$48.8 million (\$51.4 million). The Company has a further upfront payment commitment to Thunderbird of \$10.0 million which is due May 15, 2012.

Contractual Obligations

COMMODITY STREAMS

In connection with the two Novadx Coal Streams, the Company has committed to purchase 25% of the first 3.8 million tons of metallurgical equivalent coal produced (where three tons of thermal coal equals one ton of metallurgical equivalent coal), and 16% of the life of mine coal produced thereafter for a per ton payment equal to the lesser of (i) \$75 for metallurgical coal and \$55 for thermal coal, both of which are subject to certain price adjustments (“Novadx Fixed Price”), and (ii) the prevailing market prices for metallurgical and thermal coal, respectively. In accordance with such adjustments, if any coal extracted or produced from the Novadx Mines is sold to an off-taker at the applicable pit mouth, then the Novadx Fixed Price shall be reduced by \$10 per ton for metallurgical coal and \$5 per ton for thermal coal.

In connection with the three Royal Coal Coal Streams, the Company has committed to purchase 18% of the first 6.0 million tons of coal produced, and 12% of the life of mine coal produced thereafter for a per ton payment equal to the lesser of (i) \$55, subject to certain adjustments (the “RC Fixed Price”), and (ii) the prevailing market price for coal. In accordance with such adjustments, any coal extracted or produced from the Royal Coal Mines is sold to an off-taker at the applicable coal pit mouth, then the RC Fixed Price shall be reduced by \$5.00 per ton. If the realized sales price exceeds \$90 per ton and the cost of production exceeds \$65 per ton, then the RC Fixed Price shall be increased by \$7.00 per ton.

In connection with the Terrex Energy Streams, the Company has committed to purchase (i) 25% of all oil and natural gas produced for the life of the Two Creek Jurassic A property and for five years

of the Two Creek Jurassic B property, and (ii) 15% of all oil and natural gas produced from the Strathmore property at the Terrex Fixed Price. Commencing on March 18, 2016, the Terrex Fixed Price will increase 2% per annum. Sandstorm will also pay the direct transportation and royalty costs associated with its share of oil and natural gas.

In connection with the Thunderbird Energy Stream, the Company has committed to purchase 35% of all natural gas produced from the Gordon Creek project, at a price equal to the lesser of the prevailing market price and \$1.00 per Mcf of gas delivered plus 20% of the Gordon Creek field gate price received above \$4.0 per Mcf. Sandstorm is committed to making a further upfront payment of \$10.0 million to Thunderbird by May 15, 2012.

In connection with the Donner Copper stream, the Company has committed to purchase 17.5% of the copper produced from the Bracemac-McLeod Property. Sandstorm will make ongoing per pound payments equal to the lesser of \$0.80 per pound of copper and the then prevailing market price of copper. If the spot price of copper falls below \$2.75 per pound, the per pound payments will decrease and be equal to the lesser of \$0.55 per pound of copper and the then prevailing market price of copper. Once Sandstorm has purchased 14.8 million pounds of copper under the agreement, the per pound payments will be increased by \$0.25 per pound to \$1.05 per pound (or \$0.80 per pound if the spot price of copper falls below US\$2.75 per pound).

OFFICE LEASE

Sandstorm Metals & Energy is contractually obligated to make annual rental payments ranging from \$0.2 million to \$0.4 million during 2011-2016. The Company has a commitment from Sandstorm Gold that Sandstorm Gold will share a reasonable allocation, agreed to by both companies, of such costs.

Share Capital

In 2010, the Company completed a private placement of 222,300,000 special warrants (the “Special Warrants”) for gross proceeds of C\$100.0 million (\$99.0 million). Each Special Warrant entitled the holder thereof to receive a unit (a “Unit”) on the exercise or deemed exercise of the Special Warrant without payment of any additional consideration. Each Unit consisted of one common share of the Company and one-half of one common share purchase warrant (the “Warrant”). Each whole common share purchase warrant has an exercise price of \$0.70 and expires December 23, 2012. On January 24, 2011, all of the Special Warrants were automatically exercised.

On August 3, 2011 the Company completed a public offering of 88,650,000 units at a price of C\$0.55 per unit, for gross proceeds of C\$48.8 million (\$51.4 million). Each unit was comprised of one common share of the Company and one-half of one Warrant. In connection with the offering, the Company paid agent fees of C\$2.9 million (\$3.1 million), representing 6% of the gross proceeds.

As of November 9, 2011, the Company had 317,849,272 common shares and 155,462,490 Warrants outstanding. Additionally, the Company had 8,010,000 options outstanding with a weighted average exercise price of C\$0.55.

Financial Instruments

The Company's financial instruments consist of cash, trade and other receivables, loan receivable, investments, and trade and other payables. Cash, trade and other receivables, loan receivable, and trade and other payables are initially recorded at fair value and subsequently measured at amortized cost using the effective interest method. The Company's investments are valued using quoted market prices in active markets with gains/losses recognized in other comprehensive income.

CREDIT RISK

The Company's credit risk is limited to trade and other receivables in the ordinary course of business and the loan receivable. The Company assesses its credit risk based on general market knowledge and specific information obtained through its business relationships with each of its customers. The balance of trade and other receivables owed to the Company in the ordinary course of business is not significant.

OTHER RISKS

The Company is not subject to significant interest rate, liquidity, or other price risks and the Company's exposure to these risks has not changed significantly from the prior year.

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 final prospectus dated July 25, 2011, which is available on www.sedar.com.

RISKS RELATING TO PROPERTIES

To the extent that they relate to the production of coal and copper from, or the continued operation of, the Rosa Mine, the Rex Mine, the Big Branch Mine, the Big Branch Extension, the SID Mine, and the Bracemac-McLeod Property, and the production of oil and gas from the Two Creek, Strathmore, and Gordon Creek properties (the "Properties"), the Company will be subject to the risk factors applicable to the operators of such Properties.

NO CONTROL OVER PROJECT OPERATIONS

The Company has no contractual rights relating to the operation or development of the Properties. 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 any of these Properties shut down or discontinue their operations on a temporary or permanent basis. The Properties may not commence commercial production within the time frames anticipated, if at all, and there can be no assurance that the production from such properties will ultimately meet forecasts or targets. At any time, any of the operators of the Properties or their successors may decide to suspend or discontinue operations.

CURRENCY RISK

The Company is exposed to the fluctuations of the Canadian to U.S. dollar as from time to time; it completes equity financings denominated in the Canadian dollar and trades the Canadian dollar proceeds to the U.S. dollar. As of September 30, 2011 and December 31, 2010, the Company held an insignificant portion of its financial instruments in Canadian dollars and was not exposed to significant currency risk.

GOVERNMENT REGULATIONS

The Properties are subject to various federal, provincial and local 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 Properties 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 Properties would not proceed with the development of or continue to operate the Properties. 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 Properties could result in substantial costs and liabilities in the future.

INTERNATIONAL OPERATIONS

The operations of Novadx, Royal Coal, and Thunderbird will be conducted in the United States and the operations of Terrex and Donner will be conducted in Canada and as such the operations are all exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to, terrorism, 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, and repatriation, and changing political conditions and governmental regulations relating to foreign investment and the mining and oil & gas business.

Changes, if any, in mining or investment policies or shifts in political attitude in the United States or Canada may adversely affect the operations or profitability of the mining operations.

INCOME TAXES

Changes to taxation laws in Canada, Barbados, the United States or any of the countries in which the Corporation has or may establish subsidiaries to enter into the Commodity Streams could result in some or all of the Corporation's profits being subject to income tax. 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 Corporation's profits being subject to increased levels of income tax.

COAL 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 coal. The market price of coal is volatile and is affected by numerous factors that are beyond the Company's control. These include international supply and demand, the level of consumer product demand, international economic trends, currency exchange rate fluctuations, the level of interest rates, the rate of inflation, global or regional political events and international events, as well as a range of other market forces. Sustained downward movements in coal market prices could render less economic, or uneconomic, some or all of the coal extraction and/or exploration and development activities to be undertaken by the mining operations.

Reduced coal consumption by North American electric power generators could result in lower prices for coal, which could reduce revenues and adversely impact the Corporation's earnings. The amount of coal consumed for United States electric power

Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use, property safety and the rewarding of contracts to local contractors or requiring 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 property 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 operations.

generation is affected primarily by the overall demand for electricity, the location, availability, quality and price of competing fuels for power such as natural gas, nuclear, fuel oil and alternative energy sources such as hydroelectric power, technological developments, and environmental and other governmental regulations.

Weather patterns can also greatly affect electricity generation. Extreme temperatures, both hot and cold, cause increased power usage and, therefore, increased generating requirements from all sources. Mild temperatures, on the other hand, result in lower electrical demand, which allows generators to choose the lowest-cost sources of power generation when deciding which generation sources to dispatch. Accordingly, significant changes in weather patterns could reduce the demand for coal. Overall economic activity and the associated demands for power by industrial users can have significant effects on overall electricity demand.

OIL & GAS PRICES

The Company's financial performance is highly sensitive to prevailing prices of crude oil and natural gas. Fluctuations in crude oil or natural gas prices could have a material adverse effect on the Company's operations and financial condition. Prices for crude oil and natural gas fluctuate in response to changes in the supply of and demand for crude oil and natural gas, market uncertainty and a variety of additional factors that are largely beyond the Corporation's control. Crude oil prices are determined by international supply and demand. Factors which affect crude oil prices include the actions of the Organization of Petroleum Exporting Countries ("OPEC"), world economic conditions, government regulation, political stability in the Middle East and elsewhere, risks of supply disruption, the foreign supply of crude oil, the price of foreign imports, the availability of alternative fuel sources and weather conditions. Most natural gas prices realized by the Corporation are affected primarily by North American supply and demand, weather conditions and by prices of alternative sources of energy.

A substantial and extended decline in the prices of crude oil or natural gas could result in delay or cancellation of drilling, development or construction programs, or curtailment in production by Terrex or Thunderbird, all of which could have a material adverse impact on the Company.

Oil and gas prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and the demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing credit and liquidity concerns. Volatile oil and gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

COPPER 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 copper. The price of copper fluctuates widely, and is affected by numerous factors beyond the Company's control such as international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot be accurately predicted. The price of copper has fluctuated widely in recent years.

XSTRATA DEVELOPMENT AND OPERATING AGREEMENT

In the event that Donner defaults on its joint venture with Xstrata and if Donner is at risk of losing its joint venture interest in the Bracemac-McLeod Property, Sandstorm has the right to remedy such defaults and be repaid such costs by Donner.

Changes in Accounting Policies

EARLY ADOPTED JANUARY 4, 2010

The International Accounting Standards Board (“IASB”) issued amendments to IFRS 1: First-time Adoption of IFRS regarding severe hyperinflation and the removal of fixed dates for first-time adopters. This amendment is effective July 1, 2011 with earlier application permitted.

The IASB issued amendments to IFRS 7: Financial Instruments: Disclosures for the transfer of financial assets. This amendment is effective July 1, 2011 with earlier application permitted.

The IASB issued IFRS 9: Financial Instruments which establishes the requirements for recognizing and measuring financial assets and financial liabilities. This new standard is effective January 1, 2013 with earlier application permitted.

The IASB issued amendments to International Accounting Standards (“IAS”) 12: Income Taxes for the recovery of underlying assets. This amendment is effective January 1, 2012 with earlier application permitted.

The Company elected to early adopt all the above standards and amendments effective January 4, 2010.

FUTURE CHANGES IN ACCOUNTING POLICIES

The IASB issued a number of new and revised accounting standards which are effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. These standards include the following:

- IFRS 10, Consolidated Financial Statements;
- IFRS 11, Joint Arrangements;
- IFRS 12, Disclosure of Interests in Other Entities;
- IFRS 13, Fair Value Measurement;
- Amended IAS 27, Separate Financial Statements; and
- Amended IAS 28, Investments in Associates and Joint Ventures.

In June 2011, the IASB also issued amended IAS 1, Presentation of Financial Statements, which is effective for annual periods beginning on or after July 1, 2012.

These new and revised accounting standards have not yet been adopted by Sandstorm, and the Company has not yet completed the process of assessing the impact that they will have on its financial statements, or whether to early adopt any of the new requirements.

Mineral Reserves and Resources

COAL

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

Proven and Probable Mineral Reserves Attributable to Sandstorm Metals & Energy (000's tons) ^(1,2)

	Proven	Probable	Proven & Probable
Novadx			
Rosa Mine ^(5,6,7)	453	-	453
Rex Mine ^(8,9)	12,782	19,421	32,203
Attributable to Sandstorm Metals & Energy	2,460	3,107	5,567
Royal Coal			
Big Branch Mine ^(10,11)	4,331	592	4,923
SID Mine ^(12,13)	1,589	1,676	3,265
Attributable to Sandstorm Metals & Energy	1,070	272	1,343
Total Attributable to Sandstorm Metals & Energy			6,910

Measured and Indicated Mineral Resources Attributable to Sandstorm Metals & Energy (000's tons) ^(1,3,4)

	Measured	Indicated	Measured & Indicated
Novadx			
Rosa Mine ^(5,6)	783	-	783
Rex Mine ^(8,9)	12,782	19,421	32,203
Attributable to Sandstorm Metals & Energy	2,512	3,107	5,619
Royal Coal			
Big Branch Mine ^(10,11)	5,095	697	5,792
SID Mine ^(12,13)	2,467	2,662	5,129
Attributable to Sandstorm Metals & Energy	1,267	403	1,671
Total Attributable to Sandstorm Metals & Energy			7,290

Inferred Resources Attributable to Sandstorm Metals & Energy (000's tons) ^(1,2)

	Inferred
Rex Mine ^(8,9)	27,642
Attributable to Sandstorm Metals & Energy	4,423

Mineral Reserves and Resources

COPPER

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

Proven and Probable Mineral Reserves Attributable to Sandstorm Metals & Energy

	PROVEN			PROBABLE			PROVEN & PROBABLE		
	Tonnes kt	Grade Cu %	Contained (000's lbs)	Tonnes kt	Grade Cu %	Contained (000's lbs)	Tonnes kt	Grade Cu %	Contained (000's lbs)
Bracemac-McLeod ⁽¹⁴⁻¹⁶⁾	488	1.39	14,956	164	0.87	3,153	652	1.26	18,124

Measured and Indicated Mineral Resources Attributable to Sandstorm Metals & Energy

	MEASURED			INDICATED			MEASURED & INDICATED		
	Tonnes kt	Grade Cu %	Contained (000's lbs)	Tonnes kt	Grade Cu %	Contained (000's lbs)	Tonnes kt	Grade Cu %	Contained (000's lbs)
Bracemac-McLeod ^(14-16,18-21)	455	1.58	15,845	180	1.13	4,497	635	1.45	20,312

Inferred Resources Attributable to Sandstorm Metals & Energy

	INFERRED		
	Tonnes kt	Grade Cu %	Contained (000's lbs)
Bracemac-McLeod ^(14-16,18-21)	460	1.31	13,284

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 ("NI") 43-101.
2. No inferred material is included in the reserve tabulation.
3. Mineral Resources which are not Mineral Reserves, do not have demonstrated economic viability.
4. Inclusive of Mineral Reserves.
5. Rosa Mine Mineral Reserve and Mineral Resource estimates have been reviewed and verified by Mr. Sanford M. Hendon, P.E., who is a qualified person under NI 43-101.
6. Rosa Mine Mineral Reserve and Mineral Resource estimates are reported as of March 18, 2010.
7. Rosa Mine Mineral Reserves are reported on a recoverable basis.
8. Rex Mine Mineral Reserve and Mineral Resource estimates have been reviewed and verified by Mr. George A. Smith, P.E., who is a qualified person under NI 43-101.
9. Rex Mine Mineral Reserve and Mineral Resource estimates are reported as of July 21, 2010.
10. Big Branch Mine Mineral Reserve and Mineral Resource estimates have been reviewed and verified by Mr. Philip Lucas, P.E., P.L.S., who is a qualified person under NI 43-101.
11. Big Branch Mineral Reserve and Mineral Resource estimates are reported as of April 8, 2011.
12. SID Mine Mineral Reserve and Mineral Resource estimates have been reviewed and verified by Mr. Philip Lucas, P.E., P.L.S., who is a qualified person under NI 43-101.
13. SID Mine Mineral Reserve and Mineral Resource estimates are reported as of April 8, 2011.
14. The Bracemac-McLeod Mineral Resources are inclusive of Mineral Reserves.
15. The Bracemac-McLeod Mineral Reserve and Mineral Resource estimates were approved by Robin Adair, Vice President, Exploration of Donner, who is a qualified person under NI 43-101.
16. The Bracemac-McLeod Mineral Reserve and Mineral Resources are estimated as of September 2010.
17. After applying dilution, losses, and a 95% mining recovery, the tonnage of each stope was integrated into mineral reserves provided its net smelter value was greater than or equal to \$65 per tonne, which represents the average preliminary operating cost estimated for the Bracemac-McLeod Property (comprised of mining, ore processing, and general and administration costs). This process did not modify the resource block model envelopes.
18. The Bracemac-McLeod Mineral Resources are estimated under the definition of the Australian Code for Mineral Resources and Ore Reserves Reporting of Exploration Results, using a net smelter return ("NSR") cut-off value of \$43.77.
19. Metal prices used in the calculation of the NSR are: \$0.80 per pound for zinc, \$2.50 per pound for copper, \$12.00 per ounce for silver, and \$1,000 per ounce for gold, using an exchange rate of C\$1.00 = US\$1.04.
20. Except for the inferred mineral resource category, the resource calculation used the inverse distance squared method for all zones, using the Gemcom software. The results were then transferred into the Surpac software to initiate engineering design and scheduling. Inferred mineral resources in the McLeod Deep zone were estimated using a 3D polygonal method, with the Gemcom software.
21. Estimated copper recovery is 86%.

Cautionary Language Regarding Mineral Reserves and Resources

The technical reports supporting the scientific and technical information contained in this document are available on www.sedar.com under the profile of Novadx for the Rosa and Rex Mines, Royal Coal for Big Branch and SID Mines, and Donner for the Bracemac-McLeod Property. Mineral Resources which are not Mineral Reserves, do not have demonstrated economic viability.

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; the absence of control over mining operations from which Sandstorm will purchase coal 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; stock market volatility and competition, as well as those factors discussed in the section entitled “Risk Factors” herein.

Forward-looking information in this MD&A includes, among other things, disclosure regarding: Sandstorm’s existing five Coal Streams, three Energy Streams, and one Copper Stream as well as its future outlook, the mineral reserve and mineral resource estimates for each of the Rosa Mine, Rex Mine, Big Branch Mine, SID Mine, and Bracemac-McLeod Property. 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 will purchase commodities, no material adverse change in the market price of commodities, that the Properties 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.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

Expressed in U.S. dollars (\$000s) - unaudited

ASSETS	Note	September 30, 2011	December 31, 2010 (Note 15)
Current			
Cash		\$ 39,337	\$ 84,379
Trade and other receivables		2,285	9
Loan receivable		3,056	-
Prepaid expenses		13	8
		44,691	84,396
Mineral interests	5	62,152	8,298
Oil and gas interests	6	29,589	-
Investments	7	1,114	-
Deferred income tax assets		100	100
Other		561	-
		\$ 138,207	\$ 92,794
LIABILITIES			
Current			
Trade and other payables		\$ 909	\$ 1,107
EQUITY			
Share capital	8	116,847	550
Special warrants	8	-	91,645
Reserves	8	23,164	-
Accumulated other comprehensive loss		(1,777)	-
Deficit		(936)	(508)
		137,298	91,687
		\$ 138,207	\$ 92,794

Contractual obligations (Note 13)

ON BEHALF OF THE BOARD:

“Nolan Watson”, Director

“David DeWitt”, Director

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

Expressed in U.S. dollars (\$000s) - unaudited

	Note	3 Months Ended September 30, 2011	2010	9 Months Ended September 30, 2011	For the period from January 4, 2010 to September 30, 2010
Sales	9	\$ 1,599	\$ -	\$ 4,220	\$ -
Cost of sales		859	-	2,499	-
Depletion		245	-	636	-
		1,104	-	3,135	-
Gross profit		495	-	1,085	-
Expenses and other income					
Administration expenses	10	521	185	1,379	231
Project evaluation		50	-	137	-
Share-based payment	8B	279	-	789	-
Foreign exchange (gain) loss		(612)	12	(669)	11
Other income		(114)	-	(200)	-
Income (loss) from operations		124	(197)	(1,436)	(242)
Impairment of mineral interest		-	-	(77)	-
Net income (loss) for the period		371	(197)	(428)	(242)
Other comprehensive loss					
Exchange differences on translating foreign operations		(1,164)	-	(952)	-
Fair value adjustment on Investments		(825)	-	(825)	-
Total comprehensive loss for the period		\$ (1,618)	\$ (197)	\$ (2,205)	\$ (242)
Basic earnings (loss) per share					
Basic earnings (loss) per share		\$ 0.00	\$ (0.03)	\$ (0.00)	\$ (0.07)
Diluted earnings (loss) per share		\$ 0.00	\$ (0.03)	\$ (0.00)	\$ (0.07)
Weighted average number of common shares outstanding					
Basic		286,050,902	6,886,811	229,303,776	3,570,754
Diluted		286,064,372	6,886,811	229,303,776	3,570,754

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

Expressed in U.S. dollars (\$000s) – unaudited

Cash provided by (used in):	Note	3 Months Ended September 30,		9 Months Ended	For the period from
		2011	2010	September 30, 2011	January 4, 2010 to September 30, 2010
Operating activities					
Net income (loss) for the period		\$ 371	\$ (197)	\$ (428)	\$ (242)
Items not affecting cash:					
» Depletion and depreciation		263	-	653	-
» Impairment loss on mineral interest		-	-	77	-
» Share-based payment		279	-	789	-
» Foreign exchange (gain) loss		(652)	9	(704)	10
Changes in non-cash working capital	11	(1,307)	28	(1,845)	42
		(1,046)	(160)	(1,458)	(190)
Investing activities					
Acquisition of mineral interests		(18,177)	-	(54,560)	(19)
Acquisition of oil and gas interests		(15,279)	-	(30,709)	-
Loan issuance		(1,000)	-	(3,000)	-
Acquisition of investments and other assets		(1,852)	-	(2,529)	-
		(36,308)	-	(90,798)	(19)
Financing activities					
Share issue proceeds		50,610	-	50,610	493
Proceeds on exercise of warrants		-	-	9	-
Share issue costs		(3,453)	-	(4,074)	-
		47,157	-	46,545	493
Effect of exchange rate changes on cash		608	(9)	669	(9)
Net increase (decrease) in cash		10,411	(169)	(45,042)	273
Cash—beginning of period		28,926	442	84,379	-
Cash—end of period		\$ 39,337	\$ 273	\$ 39,337	\$ 273

Supplemental cash flow information (Note 11)

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

Expressed in U.S. dollars (\$000s) – unaudited

	Share Capital		Reserves			Deficit	Accumulated other comprehensive loss	Total
	Number	Amount	Special Warrants	Share Options	Share purchase warrants			
At January 4, 2010	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Initial share issuance	1	-	-	-	-	-	-	-
Shares issued for mineral interest	6,836,771	502	-	-	-	-	-	502
Shares issued for option payment	50,000	48	-	-	-	-	-	48
Total comprehensive loss	-	-	-	-	-	(242)	-	(242)
At September 30, 2010	6,886,772	\$ 550	\$ -	\$ -	\$ -	\$ (242)	\$ -	\$ 308
At January 4, 2010	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Initial share issuance	1	-	-	-	-	-	-	-
Shares issued for mineral interest	6,836,771	502	-	-	-	-	-	502
Shares issued for option payment	50,000	48	-	-	-	-	-	48
Special warrant issuance	-	-	99,025	-	-	-	-	99,025
Special warrant financing costs	-	-	(7,380)	-	-	-	-	(7,380)
Total comprehensive loss	-	-	-	-	-	(508)	-	(508)
At December 31, 2010	6,886,772	\$ 550	\$ 91,645	\$ -	\$ -	\$ (508)	\$ -	\$ 91,687
Exercise of special warrants	222,300,000	74,505	(91,645)	-	17,140	-	-	-
Share issue costs	-	(3,593)	-	-	-	-	-	(3,593)
Warrants exercised	12,500	11	-	-	(2)	-	-	9
Shares Issued	88,650,000	45,374	-	-	5,237	-	-	50,611
Share based payment	-	-	-	789	-	-	-	789
Total comprehensive loss	-	-	-	-	-	(428)	(1,777)	(2,205)
At September 30, 2011	317,849,272	\$ 116,847	\$ -	\$ 789	\$ 22,375	\$ (936)	\$ (1,777)	\$ 137,298

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

1. NATURE OF OPERATIONS

Sandstorm Metals & Energy Ltd. (“Sandstorm” or “the Company”) was incorporated under the Business Corporations Act of British Columbia on January 4, 2010. Sandstorm is a resource based company that seeks to acquire base metal and energy purchase agreements (a “Metal Stream” or an “Energy Stream” or a “Commodity Stream”) from companies that have advanced stage development or operating projects. In return for making an upfront payment to acquire a Commodity Stream, Sandstorm receives the right to purchase, at a fixed price per unit, a percentage of a project’s production for the life of the project.

The head office, principal address and registered office of the Company are located at Suite 1400, 400 Burrard Street, Vancouver, British Columbia, V6C 3A6.

These condensed consolidated interim financial statements were authorized for issue by the board of directors of the Company on November 9, 2011.

2. BASIS OF PRESENTATION

(A) STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard (“IAS”) 34: Interim Financial Reporting using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”) issued as of September 30, 2011. IFRS standards require that financial statements be prepared in accordance with standards expected to be in place as at the annual reporting period, therefore changes may be required to reflect IFRS standards in place at December 31, 2011.

The preparation of these financial statements are based on the same accounting policies and methods of applications as the condensed consolidated interim financial statements for the three months ended March 31, 2011.

These condensed consolidated interim financial statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended December 31, 2010 prepared in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”). These are the Company’s third IFRS condensed consolidated interim financial statements for the period covered by the Company’s first IFRS annual consolidated financial statements for the year ended December 31, 2011 as previously the Company prepared its consolidated annual and condensed interim financial statements in accordance with GAAP. Comparatives have been restated from GAAP to IFRS (Note 15).

(B) BASIS OF PRESENTATION

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value.

3. FUTURE CHANGES IN ACCOUNTING POLICIES

The IASB issued a number of new and revised accounting standards which are effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. These standards include the following:

- » IFRS 10, Consolidated Financial Statements;
- » IFRS 11, Joint Arrangements;
- » IFRS 12, Disclosure of Interests in Other Entities;
- » IFRS 13, Fair Value Measurement;
- » Amended IAS 27, Separate Financial Statements; and
- » Amended IAS 28, Investments in Associates and Joint Ventures.

In June 2011, the IASB also issued amended IAS 1, Presentation of Financial Statements, which is effective for annual periods beginning on or after July 1, 2012.

These new and revised accounting standards have not yet been adopted by Sandstorm, and the Company has not yet completed the process of assessing the impact that they will have on its financial statements, or whether to early adopt any of the new requirements.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

CREDIT RISK

The Company's credit risk is limited to trade and other receivables in the ordinary course of business and the loan receivable. The Company assesses its credit risk based on general market knowledge and specific information obtained through its business relationships with each of its customers.

CURRENCY RISK

The Company is exposed to the fluctuations of the Canadian to U.S. dollar as from time to time; it completes equity financings denominated in the Canadian dollar and trades the Canadian dollar proceeds to the U.S. dollar. During the three months ended September 30, 2011, the Company's conversion of its Canadian dollar denominated equity financing into the U.S. dollar resulted in a foreign exchange gain of \$0.7 million (2010 - \$nil). As of September 30, 2011 and December 31, 2010, the Company held an insignificant portion of its financial instruments in Canadian dollars and was not exposed to significant currency risk.

COMMODITY PRICE RISK - COAL

The Company's financial results may be significantly adversely affected by a decline in the price of coal. The market price of coal is volatile and is affected by numerous factors that are beyond the Company's control. These include international supply and demand, the level of consumer product demand, international economic trends, currency exchange rate fluctuations, the level of interest rates, the rate of inflation, global or regional political events and international events, as well as a range of other market forces.

COMMODITY PRICE RISK - OIL AND GAS

The Company's financial results may be significantly adversely affected by a decline in the price of oil. Crude oil prices are determined by international supply and demand. Factors which affect crude oil prices include the actions of the Organization of Petroleum Exporting Countries, world economic conditions, government regulation, political stability in the Middle East and elsewhere, risks of supply disruption, the foreign supply of crude oil, the price of foreign imports, the availability of alternate fuel sources and weather conditions.

OTHER RISKS

The Company is not subject to significant interest rate, liquidity, or other price risks and the Company's exposure to these risks has not changed significantly from the prior year.

5. MINERAL INTERESTS
(A) CARRYING AMOUNT

As of September 30, 2011:

In \$000s	COST				ACCUMULATED DEPLETION			Carrying amount
	Opening	Additions	Impairment	Ending	Opening	Depletion	Ending	
Novadx, USA	\$ 5,140	\$ 25,100	\$ -	\$ 30,240	\$ -	\$ -	\$ -	\$ 30,240
Royal Coal, USA	3,081	11,078	-	14,159	-	(430)	(430)	13,729
Donner, CAN	-	18,183	-	18,183	-	-	-	18,183
Other	77	-	(77)	-	-	-	-	-
Total	\$ 8,298	\$ 54,361	\$ (77)	\$ 62,582	\$ -	\$ (430)	\$ (430)	\$ 62,152

As of December 31, 2010:

In \$000s	COST				ACCUMULATED DEPLETION			Carrying amount
	Opening	Additions	Impairment	Ending	Opening	Depletion	Ending	
Novadx	\$ -	\$ 5,140	\$ -	\$ 5,140	\$ -	\$ -	\$ -	\$ 5,140
Royal Coal	-	3,081	-	3,081	-	-	-	3,081
Other	-	77	-	77	-	-	-	77
Total	\$ -	\$ 8,298	\$ -	\$ 8,298	\$ -	\$ -	\$ -	\$ 8,298

(B) DEPLETABLE VS. NON-DEPLETABLE BALANCES

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

As of September 30, 2011

In \$000s	Depletable		Non-depletable		Total
Novadx	\$	28,755	\$	1,485	\$ 30,240
Royal Coal		13,729		-	13,729
Donner		15,223		2,960	18,183
Total	\$	57,707	\$	4,445	\$ 62,152

As of December 31, 2010

In \$000s	Depletable		Non-depletable		Total
Novadx	\$	3,972	\$	1,168	\$ 5,140
Royal Coal		2,749		332	3,081
Other		-		77	77
Total	\$	6,721	\$	1,577	\$ 8,298

(C) SUMMARY OF COAL STREAMS

NOVADX - COAL STREAMS

The Company has two Coal Streams with Novadx Ventures Corp. (“Novadx”) to acquire 25% of the first 3.8 million tons of metallurgical equivalent coal produced (where three tons of thermal coal equals one ton of metallurgical equivalent coal), and 16% of the life of mine coal produced thereafter from the Rosa Mine and the Rex No. 1 Mine.

The Company made payments of \$5.0 million during the year ended December 31, 2010 and \$25.0 million during the three months ended March 31, 2011. The Company will also make ongoing per ton payments equal to the lesser of (i) \$75 for metallurgical coal and \$55 for thermal coal, both of which are subject to certain price adjustments (“Novadx Fixed Price”), and (ii) the prevailing market prices for metallurgical and thermal coal, respectively. In accordance with such adjustments, if any coal extracted or produced from Novadx Mines is sold to an off-taker at the applicable pit mouth, then the Novadx Fixed Price shall be reduced by \$10 per ton for metallurgical coal and \$5 per ton for thermal coal.

The Company is not required to contribute to any capital or exploration expenditures in respect to the mining operations of Novadx. Novadx has provided Sandstorm with a guarantee that the Company will receive minimum cash flows of \$3.0 million in 2011, \$5.0 million in 2012, \$6.0 million in 2013, and \$8.0 million in each of 2014 and 2015.

Novadx has the option until February 14, 2013 which may be exercised in whole or in part, to repurchase 50% of the Novadx - Coal Streams by making a payment of \$19.5 million to the Company. If exercised in whole, the percentage of coal that the Company shall be entitled to purchase from Novadx shall be reduced from 25% and 16%, to 12.5% and 8% respectively.

ROYAL COAL - COAL STREAMS

The Company has three Coal Streams with Royal Coal Corp. (“Royal Coal”) to acquire 18% of the first 6.0 million tons of coal produced, and 12% of the life of mine coal produced thereafter from the Big Branch Mine, the Big Branch Extension, and the SID Mine.

The Company made payments of \$11.0 million during the three months ended March 31, 2011. The Company will also make ongoing per ton payments equal to the lesser of (i) \$55, subject to certain adjustments (the “RC Fixed Price”) and (ii) the prevailing market price for coal. In accordance with such adjustments, if any coal extracted or produced from the Royal Coal Mines is sold to an off-taker at the applicable coal pit mouth, then the RC Fixed Price shall be reduced by \$5.00 per ton. If the realized sales price exceeds \$90 per ton and the cost of production exceeds \$65 per ton, then the RC Fixed Price shall be increased by \$7.00 per ton.

The Company is not required to contribute to any capital or exploration expenditures in respect to the mining operations of Royal Coal. Royal Coal has provided Sandstorm with a guarantee that the Company will receive minimum cash flows of \$2.0 million in 2011 and \$2.5 million in each of 2012, 2013, 2014 and 2015.

Sandstorm has a gross royalty on 2.7%, decreasing to 1.35% once the Company has received a return of capital equal to 150% of its initial investments, on all of Royal Coal’s current assets (the “Royalty”).

(D) SUMMARY OF COPPER STREAM

DONNER – COPPER STREAM

On July 12, 2011 the Company entered into a Copper Stream with Donner Metals Ltd. (“Donner”) to purchase 17.5% of the life of mine copper produced from the Bracemac-McLeod development property located in Quebec, Canada (the “Bracemac-McLeod Property”) which is operated by Xstrata Canada Corporation (“Xstrata”). Donner is the owner of a 35% joint venture interest in the Bracemac-McLeod Property.

During the three months ended September 30, 2011, the Company made a payment of \$17.75 million for the Donner Copper Stream. Furthermore, the Company subscribed for 6,428,571 common shares in the capital of Donner for \$2.25 million (refer to Note 7 for more information). Donner has provided a cash flow guarantee that the Company will receive minimum before tax cash flows of \$5.7 million in 2013, \$5.1 million in 2014, \$5.6 million in 2015 and \$3.6 million in 2016.

The Company will make ongoing per pound payments equal to the lesser of \$0.80 per pound of copper and the then prevailing market price of copper. If the spot price of copper falls below \$2.75 per pound, the per pound payments will decrease and be equal to the lesser of \$0.55 per pound of copper and the then prevailing market price of copper. Once the Company has purchased 14.8 million pounds of copper under the agreement, the per pound payments will be increased by \$0.25 per pound to \$1.05 per pound (or \$0.80 per pound if the spot price of copper falls below \$2.75 per pound). The Company is not required to contribute any further capital, exploration, or operating expenditures to Donner.

The Company also entered into an agreement with Donner, to purchase 17.5% of the life of mine gold and gold equivalent produced from the Bracemac-McLeod Property, whereby an upfront payment of \$5.0 million is required by June 30, 2012. Concurrently, the Company entered into a purchase agreement with Sandstorm Gold Ltd. ("Sandstorm Gold") to sell all of the gold and gold equivalent ounces purchased from Donner in return for Sandstorm Gold remitting the \$5.0 million upfront payment and certain ongoing per ounce payments.

On the date that Donner receives the remaining \$5.0 million of the upfront deposit, it will issue to the Company C\$1.4 million worth of common shares. The Company has agreed that unless there is an event of default, the Company will not sell any of the common shares of Donner or any interest therein prior to June 30, 2012

From December 31, 2011 to December 31, 2013, Donner has the option to repurchase 50% of the Donner Copper Stream by making a \$14.0 million payment to the Company, upon receipt of which, the percentage of copper the Company will be entitled to purchase will decrease to 8.75%.

6. OIL AND GAS INTERESTS

(A) CARRYING AMOUNT

As of September 30, 2011

In \$000s	COST				ACCUMULATED DEPLETION			Carrying amount
	Opening	Additions	Foreign Exchange Translation	Ending	Opening	Depletion	Ending	
Terrex, CAN	\$ -	\$ 15,447	\$ (916)	\$ 14,531	\$ -	\$ (204)	\$ (204)	\$ 14,327
Thunderbird, USA	-	15,262	-	15,262	-	-	-	\$ 15,262
Total	\$ -	\$ 30,710	\$ (916)	\$ 29,793	\$ -	\$ (204)	\$ (204)	\$ 29,589

(B) DEPLETABLE VS. NON-DEPLETABLE BALANCES

The value allocated to reserves is classified as depletable and is depreciated on a units-delivered basis over the estimated recoverable proven and probable reserves at the project. 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.

As of September 30, 2011

In \$000s	Depletable		Non-depletable		Total
Terrex	\$	3,024	\$	11,303	\$ 14,327
Thunderbird		12,048		3,214	15,262
Total	\$	15,072	\$	14,517	\$ 29,589

(C) SUMMARY OF ENERGY STREAMS

TERREX ENERGY INC.

On March 18, 2011, the Company entered into Energy Streams with Terrex Energy Inc. ("Terrex") to purchase i) 25% of all oil and natural gas for the life of the Two Creek Jurassic A property and for five years of the Two Creek Jurassic B property (the "Two Creek Property"), and ii) 15% of all oil and natural gas produced from the Strathmore property. The Company made an upfront payment of C\$14.7 million (\$15.0 million) and will make ongoing per unit payments (the "Terrex Fixed Price") of C\$15.00 per barrel of oil delivered and C\$1.00 per 1,000 cubic feet of gas delivered ("Mcf"). Commencing on March 18, 2016 the Terrex Fixed Price will increase 2% per annum. Sandstorm will also pay the direct transportation and royalty costs associated with its share of oil and natural gas.

The Company is not required to contribute any further capital, exploration or operating expenditures to Terrex. Terrex has provided a completion guarantee that the Company will receive minimum before tax cash flows of C\$0.5 million in 2011, C\$1.1 million in 2012, C\$1.8 million in 2013, C\$2.2 million in 2014, C\$2.6 million in 2015, C\$2.4 million in 2016, C\$2.2 million in 2017 and C\$1.9 million in 2018.

Until March 18, 2013, Terrex has the option to repurchase 50% of the Terrex Energy Streams by making a C\$9.55 million payment to Sandstorm, upon receipt of which, the percentage of production the Company is entitled to purchase will decrease to 12.5% at the Two Creek Property and 7.5% at the Strathmore property.

THUNDERBIRD ENERGY CORPORATION

On July 13, 2011 the Company entered into an Energy Stream with Thunderbird Energy Corporation (“Thunderbird”) to purchase 35% of all the natural gas produced on the mineral interests leased by Thunderbird at the Gordon Creek Property, located in Utah, the United States of America (the “Gordon Creek Property”). Thunderbird is contractually obligated to workover 5 net wells and drill an additional 50 net wells on the Gordon Creek Property.

For consideration, the Company made an initial upfront payment of \$15.0 million in the third quarter of 2011 and will make a further upfront payment of \$10.0 million by May 15, 2012. Additionally, the Company will make ongoing per unit payments of \$1.00 per Mcf delivered plus 20% of the marketing price received by Thunderbird that is above \$4.00 per Mcf of natural gas delivered.

The Company is not required to contribute any further capital, exploration, or operating expenditures to Thunderbird. Thunderbird has provided a before tax cash flow guarantee that the Company will receive \$2.3 million in 2012, \$5.1 million in 2013, \$4.6 million in 2014, \$4.2 million in 2015, \$3.8 million in 2016, \$3.3 million in 2017 and \$1.7 million in 2018. The cash flow guarantees will not apply if volumes purchased by the Company exceed a certain amount in an applicable calendar year.

Until December 31, 2013, Thunderbird has the option to repurchase 50% of the Thunderbird Energy Stream by making a \$16.25 million payment to the Company, upon receipt of which, the percentage of natural gas the Company will be entitled to purchase will decrease to 17.5%.

If Thunderbird drills additional wells on the Gordon Creek Property over and above the minimum 50 net wells, the Company has the option to have production from the additional net wells form a part of the Thunderbird Energy Stream by providing additional production payment advances to Thunderbird at an agreed amount per well.

7. INVESTMENTS

In \$000s	September 30, 2011 Fair Value	September 30, 2011		December 31, 2010 Fair Value
		3 Months Ended September 30, 2011	9 Months Ended September 30, 2011	
		Fair Value Adjustment Losses Included in Other Comprehensive Loss		
Common shares held	\$ 1,114	\$ (825)	\$ (825)	\$ -

On July 18, the Company subscribed for 6,428,571 common shares in Donner for \$2.25 million at a per share price \$0.35, which represented a premium of 15% to the trading price of the shares on the settlement date. The Company recognized the shares at their fair value and the 15% premium on the common shares, which represents costs to acquire the Donner Copper Stream, were recorded within Mineral interests on the consolidated balance sheet.

The Company’s investments are valued using quoted market prices in active markets and as such, are classified within Level 1 of the fair value hierarchy. Gains and losses related to the Company’s investment in common shares held are included in other comprehensive loss.

8. SHARE CAPITAL AND RESERVES

(A) SHARES ISSUED

The Company is authorized to issue an unlimited number of common shares without par value.

In December 2010, the Company completed a private placement of 222,300,000 special warrants (the “Special Warrants”) for gross proceeds of C\$100.0 million (\$99.0 million). Each Special Warrant entitled the holder thereof to receive a unit (a “Unit”) on the exercise or deemed exercise of the Special Warrant without payment of any additional consideration. Each Unit consisted of one common share of the Company and one-half of one share purchase warrant (a “Warrant”). Each Warrant has an exercise price of \$0.70 and expires December 23, 2012. In connection with the private placement, the Company paid agent fees of C\$6.7 million (\$6.6 million), representing 7% of the gross proceeds and other financing costs of \$0.9 million. On January 24, 2011, all of the Special Warrants were automatically exercised upon receipt for the Company’s final prospectus. The fair value attributable to the common shares was \$81.9 million.

On August 3, 2011 the Company completed a public offering of 88,650,000 units at a price of C\$0.55 per unit, for gross proceeds of C\$48.8 million (\$51.4 million). Each unit was comprised of one common share of the Company and one-half of one Warrant. In connection with the offering, the Company paid agent fees of C\$2.9 million (\$3.1 million), representing 6% of the gross proceeds. The amount attributable to common shares was \$45.4 million, with the remainder allocated to the Warrants.

(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 three months ended September 30, 2011, the Company issued 550,000 share purchase options (nine months ended September 30, 2011 – 8,010,000 share purchase options and a fair value of \$79,157 or \$0.14 per option (nine months ended September 30, 2011 - \$1,235,661 of \$0.16 per option).

Black-Scholes weighted average assumptions	3 Months Ended September 30,		9 Months Ended September 30,		For the period from January 4, 2010 to September 30,	
	2011	2010	2011	2010	2011	2010
Grant date share price and exercise price	C\$0.47	-	C\$0.55	-	-	-
Expected dividend yield	0.00%	-	0.00%	-	-	-
Expected volatility	41%	-	37%	-	-	-
Risk-free interest rate	2.25%	-	1.99%	-	-	-
Expected life of options	3 years	-	3 years	-	-	-

A continuity schedule of the Company's outstanding share purchase options from January 1, 2011 to September 30, 2011 is presented below:

	Number of Options	Weighted average exercise price (C\$)
At January 1, 2011	-	\$ -
Granted	8,010,000	0.55
At September 30, 2011	8,010,000	\$ 0.55

A summary of the Company's options as of September 30, 2011 are as follows:

Number outstanding	Exercisable	Price per Share (C\$)	Expiry Date
7,460,000	2,486,672	\$0.56	February 22, 2016
550,000	-	\$0.47	August 25, 2016
8,010,000	2,486,672		

A summary of share-based payment recognized is as follows:

In \$000s	3 Months Ended September 30		9 Months Ended September 30, 2011	For the period from January 4, 2010 to September 30, 2010
	2011	2010		
Employees	\$ (279)	\$ -	\$ (779)	\$ -
Non-employees	-	-	(10)	-
	\$ (279)	\$ -	\$ (789)	\$ -

(C) SHARE PURCHASE WARRANTS

On January 24, 2011, the Company issued 111,149,900 Warrants in connection with the automatic exercise of Special Warrants described in Note 8A. The fair value attributable to the Warrants was \$17,140,544 and was determined using the Black-Scholes Model with the following assumptions:

Share price	\$1.08
Exercise price	\$0.70
Expected dividend yield	0.00%
Expected volatility	39%
Risk-free interest rate	1.44%
Expected life of warrants	2 years

On August 3, 2011 the Company issued 44,325,000 Warrants in connection with the equity financing (Note 8A). The fair value attributable to the Warrants was \$5,235,546 using a pro rata allocation of the trading price of the Warrants and shares as at July 13, 2011.

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

	Number of Warrants
Warrants outstanding at December 31, 2010	-
Issued	155,474,990
Exercised	(12,500)
Warrants outstanding at September 30, 2011	155,462,490

A summary of the Company's Warrants as of September 30, 2011 is as follows:

Number	Price per Share	Expiry Date
155,462,490	\$0.70	December 23, 2012

(D) RESTRICTED SHARE PLAN

On April 4, 2011, the Company adopted a restricted share plan (the "Restricted Share Plan") whereby the Company may grant restricted share rights to eligible employees, officers, directors and consultants at an expiry date to be determined by the board of directors. Each restricted share right entitles the holder to receive a common share of the Company without any further consideration. The Restricted Share Plan provides for the issuance of up to 4,000,000 restricted share rights outstanding at a given time. As of September 30, 2011, no restricted share rights had been granted by the Company under the Restricted Share Plan.

(E) DILUTED EARNINGS (LOSS) PER SHARE

Diluted earnings (loss) per share is calculated based on the following:

In \$000s	3 Months Ended September 30,		9 Months Ended	For the period from January 4, 2010 to September 30, 2010
	2011	2010	September 30, 2011	
Net income (loss) for purposes of determining basic and diluted income (loss) per share	\$ 371	\$ (197)	\$ (428)	\$ (242)
Basic weighted average number of shares	286,050,902	6,886,811	229,303,776	3,570,754
Effect of dilutive securities				
» Stock options	13,470	-	-	-
Diluted weighted average number of common shares	286,064,372	6,886,811	229,303,776	3,570,574

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

	3 Months Ended September 30,		9 Months Ended	For the period from January 4, 2010 to September 30, 2010
	2011	2010	September 30, 2011	
Stock options	7,460,000	-	8,010,000	-
Warrants	155,462,490	-	155,462,490	-

9. SALES

In \$000s	3 Months Ended September 30,		9 Months Ended	For the period from January 4, 2010 to September 30, 2010
	2011	2010	September 30, 2011	
Coal sales	\$ 1,099	\$ -	3,056	\$ -
Oil and gas sales, net of royalties	328	-	692	-
Coal royalties revenue	172	-	472	-
	\$ 1,599	\$ -	4,220	\$ -

10. ADMINISTRATION EXPENSES

The administration expenses for the Company are broken down as follows:

In \$000s	3 Months Ended September 30,		9 Months Ended	For the period from January 4, 2010 to September 30, 2010
	2011	2010	September 30, 2011	
Corporate administration	\$ (362)	\$ (10)	\$ (869)	\$ (15)
Exploration	-	(171)	-	(192)
Professional fees	(159)	(4)	(510)	(24)
	\$ (521)	\$ (185)	\$ (1,379)	\$ (231)

11. SUPPLEMENTAL CASH FLOW INFORMATION

In \$000s	3 Months Ended September 30		9 Months Ended September 30, 2011	For the period from January 4, 2010 to September 30, 2010
	2011	2010		
Change in non-cash working capital				
Trade and other receivables	\$ (1,323)	\$ (15)	(2,276)	\$ (17)
Interest receivable	(43)	-	(55)	-
Prepaid expenses	8	(4)	(4)	(4)
Trade and other payables	51	47	490	63
	\$ (1,307)	\$ 28	(1,845)	\$ 42
Significant non-cash transaction				
Exercise of Special Warrants into common shares and warrants	-	-	99,025	-

12. KEY MANAGEMENT PERSONNEL COMPENSATION

The remuneration of directors and other key members of management is as follows:

In \$000s	3 Months Ended September 30		9 Months Ended September 30, 2011	For the period from January 4, 2010 to September 30, 2010
	2011	2010		
Short-term employee benefits	\$ (165)	\$ -	\$ (457)	\$ -
Share-based payments	(252)	-	(707)	-
	\$ (417)	\$ -	\$ (1,164)	\$ -

13. CONTRACTUAL OBLIGATIONS

(A) STREAMS

In connection with the two Novadx Coal Streams, the Company has committed to purchase 25% of the first 3.8 million tons of metallurgical equivalent coal produced (where three tons of thermal coal equals one ton of metallurgical equivalent coal), and 16% of the life of mine coal produced thereafter for a per ton payment equal to the lesser of (i) \$75 for metallurgical coal and \$55 for thermal coal, both of which are subject to certain price adjustments ("Novadx Fixed Price"), and (ii) the prevailing market prices for metallurgical and thermal coal, respectively. In accordance with such adjustments, if any coal extracted or produced from the Novadx Mines is sold to an off-taker at the applicable pit mouth, then the Novadx Fixed Price shall be reduced by \$10 per ton for metallurgical coal and \$5 per ton for thermal coal.

In connection with the three Royal Coal Coal Streams, the Company has committed to purchase 18% of the first 6.0 million tons of coal produced, and 12% of the life of mine coal produced thereafter for a per ton payment equal to the lesser of (i) \$55, subject to certain adjustments (the "RC Fixed Price") and (ii) the prevailing market price for coal. In accordance with such adjustments, any coal extracted or produced from the Royal Coal Mines is sold to an off-taker at the applicable coal pit mouth, then the RC Fixed Price shall be reduced by \$5.00 per ton. If the realized sales price exceeds \$90 per ton and the cost of production exceeds \$65 per ton, then the RC Fixed Price shall be increased by \$7.00 per ton.

In connection with the Terrex Energy Streams, the Company has committed to purchase a) 25% of all oil and natural gas produced for the life of the Two Creek Jurassic A property and for five years of the Two Creek Jurassic B property, and b) 15% of all oil and natural gas produced from the Strathmore property for the Terrex Fixed Price. Commencing on March 18, 2016 the Terrex Fixed Price will increase 2% per annum. Sandstorm will also pay the direct transportation and royalty costs associated with its share of oil and natural gas.

In connection with the Thunderbird Energy Stream, the Company has committed to purchase 35% of all natural gas produced from the Gordon Creek project, at a price equal to the lesser of the prevailing market price and \$1.00 per Mcf of gas delivered plus 20% of the Gordon Creek field gate price received above \$4.00 per Mcf. Sandstorm is committed to making a further upfront payment of \$10.0 million to Thunderbird by May 15, 2012.

In connection with the Donner Copper stream, the Company has committed to purchase 17.5% of the copper produced from the Bracemac-McLeod Property. Sandstorm will make ongoing per pound payments equal to the lesser of \$0.80 per pound of copper and the then prevailing market price of copper. If the spot price of copper falls below \$2.75 per pound, the per pound payments will decrease and be equal to the lesser of \$0.55 per pound of copper and the then prevailing market price of copper. Once Sandstorm has purchased 14.8 million pounds of copper under the agreement, the per pound payments will be increased by \$0.25 per pound to \$1.05 per pound (or \$0.80 per pound if the spot price of copper falls below \$2.75 per pound).

(B) OFFICE LEASE

Sandstorm is contractually obligated to make annual rental payments ranging from \$0.2 million to \$0.4 million during 2011-2016. The Company has a commitment from Sandstorm Gold that it will share a reasonable allocation of such costs.

14. SEGMENTED INFORMATION

The Company's reportable segments are summarized in the tables below:

3 Months Ended September 30, 2011

In \$000s	Sales	Cost of sales	Depletion	Net income (loss)	Cash from (used in) operations
Novadx	\$ -	\$ -	\$ -	\$ -	\$ -
Royal Coal	1,271	780	139	352	236
Terrex	328	79	106	143	219
Donner	-	-	-	-	-
Thunderbird	-	-	-	-	-
Corporate	-	-	-	(124)	(1,501)
Consolidated	\$ 1,599	\$ 859	\$ 245	\$ 371	\$ (1,046)

3 Months Ended September 30, 2010

In \$000s	Sales	Cost of sales	Depletion	Net loss	Cash used in operations
Corporate	\$ -	\$ -	\$ -	\$ (242)	\$ (190)

9 Months Ended September 30, 2011

In \$000s	Sales	Cost of sales	Depletion	Net income (loss)	Cash from (used in) operations
Novadx	\$ -	\$ -	\$ -	\$ -	\$ -
Royal Coal	3,528	2,349	431	748	1,179
Donner	-	-	-	-	-
Terrex	692	150	205	337	541
Thunderbird	-	-	-	-	-
Corporate	-	-	-	(1,513)	(3,178)
Consolidated	\$ 4,220	\$ 2,499	\$ 636	\$ (428)	\$ (1,458)

Period from January 4, 2010 to September 30, 2010

In \$000s	Sales	Cost of sales	Depletion	Net loss	Cash used in operations
Corporate	\$ -	\$ -	\$ -	\$ (197)	\$ (160)

Total assets as of:

In \$000s	September 30, 2011	December 31, 2010
Novadx	\$ 30,240	\$ 5,140
Royal Coal	14,423	3,081
Terrex	14,426	-
Donner	18,184	-
Thunderbird	15,263	-
Corporate	45,671	84,573
Consolidated	\$ 138,207	\$ 92,794

15. FIRST TIME ADOPTION OF IFRS

The Company adopted IFRS on January 1, 2011. As the Company was incorporated on January 4, 2010, there are no retrospective implications from the conversion to IFRS in accordance with IFRS 1: First-time Adoption of International Financial Reporting Standards. The accounting policies set out in Note 2 of the condensed consolidated interim financial statements at and for the 3 months ended March 31, 2011 have been applied in preparing these condensed financial statements. In Note 15 of the March 31, 2011 consolidated financial statements, the company reported the impact of the transition to IFRS at January 1, 2010 and December 31, 2010. There were no changes to the reconciliations previously recorded.

There were no IFRS adjustments required for equity as of September 30, 2010 and for total comprehensive loss for the three months ended September 30, 2010 and for the period from January 4, 2010 to September 30, 2010.