

# Sandstorm Resources Ltd.

Interim Management's Discussion & Analysis and Financial Statements  
December 31, 2007

(Unaudited)

**SANDSTORM RESOURCES LTD. (the "Company" or "Sandstorm")  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Quarter Ended December 31, 2007

Management's discussion and analysis ("MD&A") of the financial condition of the Company should be read in conjunction with the interim financial statements for the period ended December 31, 2007 and the audited financial statements for the nine days ended March 31, 2007. The information contained within this MD&A is current to February 27, 2008.

The financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles.

**FORWARD LOOKING STATEMENT**

This MD&A contains certain forward-looking statements and information relating to the Company which are based on the beliefs of its management as well as assumptions made by and information currently available to Sandstorm. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they related to Sandstorm or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of Sandstorm's exploration properties. Such statements reflect the current views of Sandstorm with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of Sandstorm to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

**OVERALL PERFORMANCE**

Sandstorm Resources Ltd. is a "Capital Pool Company" as defined by the policies of the TSX Venture Exchange (the "Exchange") and on July 31, 2007 the Company completed its initial public offering ("IPO"). The Company's principal business is to identify and evaluate resource properties with a view to completing a "Qualifying Transaction". Any proposed Qualifying Transaction must be accepted by the Exchange in accordance with Policy 2.4 of the Exchange.

On January 16, 2008 the Company entered into an Option Agreement with Eagle Plains Resources Ltd. ("Eagle Plains"), to earn up to a 75% interest in the Elsiar Property located 40 km north of Terrace in British Columbia, Canada.

The Option Agreement, if completed, will constitute the Company's "Qualifying Transaction" under the Exchange's policies. The Option Agreement constitutes an arm's length qualifying transaction and, in accordance with Exchange policies, will not be subject to shareholder approval.

### ***Proposed Option Agreement***

Under the terms of the Option Agreement, Sandstorm will acquire a 60% interest in the Elsiar Property in exchange for aggregate payments and share issuances to Eagle Plains of \$500,000 and 700,000 post sub-division shares (please see below under "Proposed Share Sub-Division") over a period of five years, and by incurring expenditures of \$3,000,000 on the Elsiar Property over the same time period. Sandstorm is entitled to earn a further 15% interest in the Elsiar Property, for an aggregate 75% interest, by making all expenditures required to deliver a bankable Feasibility Study on the Elsiar Property by no later than the eighth anniversary of the date of regulatory approval of the Option Agreement. Upon Eagle Plains earning a 60% interest in the Elsiar Property, a joint venture will be formed between the parties.

The Elsiar Property is subject to a 1% net smelter returns royalty payable to Mr. Bernie Kreft, which may be bought out for \$1,000,000 within 30 days of a decision to take the Elsiar Property to commercial production. Additionally, Sandstorm's interest in the Elsiar Property will be subject to a 1% Net Smelter Returns royalty to be paid to Eagle Plains, which Sandstorm will be entitled to buy out for \$1,000,000.

Sandstorm has agreed to pay a \$7,500 finder's fee in connection with the Option Agreement.

Upon completion of the Option Agreement, all common shares held by Principals of Sandstorm (as such term is defined in the Exchange's policies) will be held in escrow in accordance with the policies of the Exchange.

### ***Proposed Share Sub-Division***

Subject to all necessary approvals and prior to closing the transactions underlying the Option Agreement, Sandstorm anticipates sub-dividing its outstanding common shares on a two for one basis.

### ***Proposed Private Placement***

Sandstorm proposes to complete, concurrently with the closing of the Option Agreement on the Elsiar Property, a non-brokered private placement of up to 11,350,000 units of the Company at a price of \$0.10 per unit, for gross proceeds of up to \$1,135,000. In addition, the Company proposes to complete a non-brokered private placement of up to 2,000,000 units of flow-through financing at a price of \$0.10 per unit, for gross proceeds of up to \$200,000. Units of both the non-flow through units and the flow through units will consist of one post sub-division common share and one post sub-division common share purchase warrant. Each warrant will entitle the holder to acquire one additional post-subdivision common share of the Company at a price of \$0.195 a share for a period of two years from closing.

The proceeds of this private placement will be used to fund the costs associated with completing the Option Agreement, the proposed work programs on the Elsiar Project, and for general working capital purposes.

### ***The Resulting Issuer***

On the closing of the Option Agreement and the non-brokered private placement, Sandstorm will be classified as a natural resource issuer and will have approximately 17,792,000 issued post-subdivision common shares and 13,350,000 post-subdivision warrants outstanding that entitle the holders to purchase an equal number of common shares. A total of 100,000 Directors' and Officers' Options and 198,000 Agent's Warrants will be outstanding.

### ***The Vendor***

Eagle Plains is a company incorporated under the laws of Alberta and extra-provincially registered in British Columbia. Eagle Plains currently trades on the TSX Venture Exchange.

### ***Summary of the Elsiar Project***

The Elsiar copper-molybdenum-gold property is comprised of 18 contiguous claim units that cover 5,330 hectares that are held 100% by Eagle Plains and is centered upon a number of Cretaceous-age quartz biotite porphyry stockworks. Little historical activity has occurred in the area, but work to date has shown that the Elsiar Property displays classic geologic features of a BC copper-molybdenum system. It benefits from excellent infrastructure including logging roads, hydroelectric power lines and close proximity to rail and deep-water international ports in Kitimat and Prince Rupert.

The Elsiar Property was acquired by Eagle Plains in 2003 and has had approximately \$1,000,000 in exploration work during 2004 and 2005 including extensive geochemical sampling programs, airborne geophysics and two successful drill programs.

A work program consisting of the geochemical sampling and detailed mapping to determine exploration drill hole targets is proposed as a Phase 1 of exploration on the Elsiar Project.

Further quantitative information concerning the Project will be disclosed following completion of a "qualifying report" in accordance with National Instrument 43-101, which is presently being prepared.

### ***General***

Completion of the transaction is subject to a number of conditions, including but not limited to, Exchange acceptance. There can be no assurance that the transaction will be completed as proposed or at all.

Sponsorship of a qualifying transaction of a capital pool company is required by the Exchange unless exempt in accordance with the Exchange policies or waived by the Exchange. Sandstorm intends to apply for an exemption or waiver from sponsorship requirements. However, there is no assurance that Sandstorm will be able to obtain this exemption or waiver.

## RESULTS OF OPERATIONS

### *Three-month period ended December 31, 2007*

The Company incurred a loss of \$2,920 for the three-month period ended December 31, 2007, resulting in a loss per share of \$0.00. The loss was attributable to expenses relating to the maintenance of the Company's exchange listing which consisted of \$2,735 in professional fees and \$1,649 in general and administrative expenses. During the period the Company also earned \$1,464 in interest income.

### *Nine-month period ended December 31, 2007*

The Company incurred a net loss of \$33,933 for the nine-month period ending December 31, 2007, resulting in a loss per share of \$0.02. The loss was attributable to expenses relating to the maintenance of the Company's exchange listing which consisted of \$10,047 in professional fees and \$18,815 in general and administrative expenses. As well, the Company also issued 50,000 stock options, which were immediately exercisable, and therefore stock-based compensation of \$8,048 was reflected in the statement of loss. During the period the Company also earned \$2,977 in interest income.

## SUMMARY OF QUARTERLY RESULTS

### Quarters Ended:

	Dec 31, 2007	Sept 30, 2007	June 30, 2007	Mar 31, 2007
	\$	\$	\$	\$
Interest and other Income	1,464	1,118	395	--
Net loss for the period	(2,920)	(18,015)	(12,998)	(10,334)
Net loss per share	(0.00)	(0.01)	(0.01)	(0.01)
Total assets	232,400	232,721	117,692	111,997
Total long-term liabilities	--	--	--	--

<sup>(1)</sup> The Company was incorporated on March 23, 2007 and thus, the Company does not have eight quarters of information for disclosure.

## LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2007, the Company had cash and cash equivalents of \$229,578 and working capital of \$229,469.

Cash and cash equivalents increased during the nine-month period ended December 31, 2007 as the Company completed its IPO by issuing 1,000,000 common shares at \$0.20 per share for gross proceeds of \$200,000 and net proceeds of \$143,488 after share issuance costs of \$56,512. During the nine-month period ended December 31, 2007, 1,000 agent's warrants were exercised at \$0.20 per share for a total amount of \$200.

Although the Company believes it will have enough capital resources to complete a Qualifying Transaction, there is no guarantee that the Company will be able to secure additional financings in the future at terms that are favourable.

## **RELATED PARTY TRANSACTIONS**

During the nine-month period ended December 31, 2007, legal fees of \$16,099 were paid to a firm in which a director of the Company is a partner. During the three month period ended December 31, 2007, legal fees of \$1,235 were paid to the same firm in which a director of the Company is a partner.

## **ACCOUNTING POLICIES**

The details of the Company's accounting policies are presented in Note 3 of the audited financial statements for the year ended March 31, 2007, which were included in the Company's prospectus filed on June 28, 2007. The following policies are considered by management to be essential to understanding the processes and reasoning that go into the preparation of the Company's financial statements and the uncertainties that could have a bearing on its financial results:

### **Stock-Based Compensation**

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. For employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested or non-forfeitable. For employees and non-employees, the fair value of the options is accrued or charged to operations, with the offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

### **Management's Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

## **Financial Instruments**

### *Adoption of new accounting standards*

The Company adopted the provisions of CICA Sections 3855, Financial Instruments – Recognition and Measurement; 3865, Hedges; and 1530, Comprehensive Income on April 1, 2007 which addresses the classification, recognition and measurement of financial instruments and hedges in the financial statements and inclusion of other comprehensive income. The adoption of these accounting policies did not have a material effect on the financial statements of the Company during the period.

### **New Accounting Principles Pronounced But Not Yet Enacted**

The following section which has been pronounced but not yet enacted are expected to have an impact on the Company in the coming year:

#### *Section 1535 – Capital Disclosures*

This Section establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard the Company will be required to disclose the following, based on the information provided internally to the entity's key management personnel:

- (i) qualitative information about its objectives, policies and processes for managing capital.
- (ii) summary quantitative data about what it manages as capital.
- (iii) whether during the period it complied with any externally imposed capital requirements to which it is subject.
- (iv) when the company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

#### *Section 3862 – Financial Instruments – Disclosures*

This Section requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Entities will be required to disclose the measurement basis or bases used, and the criteria used to determine classification for different types of instruments.

The Section requires specific disclosures to be made, including the criteria for:

- (i) designating financial assets and liabilities as held for trading;
- (ii) designating financial assets as available-for-sale; and
- (iii) determining when impairment is recorded against the related financial asset or when an allowance account is used.

## **FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

## **OUTSTANDING SHARE DATA**

The Company is authorized to issue an unlimited number of common shares of which 2,221,000 common shares are issued and outstanding as of the date of this MD&A. Of these common shares, 1,220,000 will be held in escrow and will be released pro-rata to the shareholders as to 10% of the escrow shares upon issuance of notice of final acceptance of a Qualifying Transaction by the Exchange and as to the remainder in six equal tranches of 15% every six months thereafter over a period of 36 months.

Also, as of the date of this MD&A, the Company had 99,000 agent's warrants and 50,000 stock options which expire on July 31, 2009 and July 31, 2012 respectively.

## **ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE**

Additional disclosure concerning the Company's general and administrative expenses is provided in the Company's Statement of Loss and Deficit contained in its Financial Statements for December 31, 2007 that is available on the SEDAR website, [www.sedar.com](http://www.sedar.com).

## **APPROVAL**

The Board of Directors of Sandstorm Resources Ltd. has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

**SANDSTORM RESOURCES LTD.**  
**Interim Balance Sheets**

Unaudited

	December 31, 2007	March 31, 2007 (Audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 229,578	\$ 111,997
Accounts receivable	2,822	--
	<u>\$ 232,400</u>	<u>\$ 111,997</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	<u>\$ 2,931</u>	<u>\$ 10,331</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital</b> (Note 5a)	254,152	112,000
<b>Contributed surplus</b> (Note 5a)	19,584	--
<b>Deficit</b>	<u>(44,267)</u>	<u>(10,334)</u>
	229,469	101,666
	<u>\$ 232,400</u>	<u>\$ 111,997</u>

**Continuance of Operations** (Note 2)

**Subsequent Event** (Note 7)

ON BEHALF OF THE BOARD:

"Dean Fenwick" , Director

"David Awram" , Director

- See Accompanying Notes -

**SANDSTORM RESOURCES LTD.****Interim Statement of Loss, Comprehensive  
Loss and Deficit**

Unaudited

	Three Months Ended December 31, 2007	Nine Months Ended December 31, 2007
<b>Expenses</b>		
General and administrative	\$ 1,649	\$ 18,815
Professional fees	2,735	10,047
Stock-based compensation <i>(Note 5b)</i>	--	8,048
<b>Total Expenses</b>	<u>(4,384)</u>	<u>(36,910)</u>
<b>Other Item</b>		
Interest income	<u>1,464</u>	<u>2,977</u>
<b>Loss and Comprehensive Loss for the Period</b>	<u>(2,920)</u>	<u>(33,933)</u>
Deficit - Beginning of period	<u>(41,347)</u>	<u>(10,334)</u>
<b>Deficit – End of Period</b>	<u>\$ (44,267)</u>	<u>\$ (44,267)</u>
<b>Loss per Share - Basic and Diluted</b>	<u>\$ (0.00)</u>	<u>\$ (0.02)</u>
<b>Weighted Average Number of Common Shares</b>	<u>2,220,902</u>	<u>1,750,484</u>

- See Accompanying Notes -

**SANDSTORM RESOURCES LTD.**  
**Interim Statement of Cash Flows**

Unaudited

	Three Months Ended December 31, 2007	Nine Months Ended December 31, 2007
<b>Cash Resources Provided By (Used In)</b>		
<b>Operating Activities</b>		
Loss for the period	\$ (2,920)	\$ (33,933)
Items not affecting cash:		
Stock-based compensation <i>(Note 5b)</i>	--	8,048
	<u>(2,920)</u>	<u>(25,885)</u>
Changes in non-cash working capital:		
Accounts receivable	(125)	(2,822)
Accounts payable and accrued liabilities	2,399	(7,400)
	<u>(646)</u>	<u>(36,107)</u>
<b>Financing Activities</b>		
Share issue proceeds	200	210,000
Share issuance costs	--	(56,512)
	<u>200</u>	<u>153,688</u>
<b>Net Increase (Decrease) in Cash</b>	(446)	117,581
Cash - Beginning of Period	230,024	111,997
<b>Cash - End of Period</b>	<u>\$ 229,578</u>	<u>\$ 229,578</u>
<b>Non-cash investing and financing activities:</b>		
Agent's warrants granted as part of share issuance costs	\$ --	\$ 11,653
Fair value of warrants and options exercised	\$ 117	\$ 117

- See Accompanying Notes -

**SANDSTORM RESOURCES LTD.**  
**Notes to Interim Financial Statements**

**December 31, 2007**

Unaudited

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**1. Nature of Operations**

Sandstorm Resources Ltd. ("the Company") was incorporated under the Business Corporations Act of British Columbia on March 23, 2007 and is classified as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. The principal business of the Company is to identify and evaluate opportunities for the acquisition of an interest in assets or businesses and, once identified, to negotiate an acquisition or participation.

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**2. Continuance of Operations**

The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses. Such an acquisition will be subject to regulatory approval and may be subject to shareholder approval.

These financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

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**3. Significant Accounting Policies**

**a) Income Taxes**

Future income taxes are accounted for using the asset and liability method. Future taxes are recognized for the tax consequences of "temporary differences" by applying enacted or substantively enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and tax basis of existing assets and liabilities. The effect on future income taxes for a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. In addition, the method requires the recognition of future tax benefits to the extent that realization of such benefits is more likely than not.

**b) Earnings (Loss) per Share**

Basic earnings (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

**SANDSTORM RESOURCES LTD.**  
**Notes to Interim Financial Statements**  
**December 31, 2007**  
Unaudited

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**3. Significant Accounting Policies – Continued**

**c) Stock-Based Compensation**

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method.

**d) Management's Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

**f) Financial Instruments**

*Adoption of new accounting standards*

The Company adopted the provisions of CICA Sections 3855, Financial Instruments – Recognition and Measurement; 3865, Hedges; and 1530, Comprehensive Income on April 1, 2007 which addresses the classification, recognition and measurement of financial instruments and hedges in the financial statements and inclusion of other comprehensive income. The adoption of these accounting policies did not have a material effect on the financial statements of the Company during the period.

**g) New Accounting Principles Pronounced But Not Yet Enacted**

The following section which has been pronounced but not yet enacted are expected to have an impact on the Company in the coming year:

*Section 1535 – Capital Disclosures*

This Section establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard the Company will be required to disclose the following, based on the information provided internally to the entity's key management personnel:

- (i) qualitative information about its objectives, policies and processes for managing capital,
- (ii) summary quantitative data about what it manages as capital.
- (iii) whether during the period it complied with any externally imposed capital requirements to which it is subject.
- (iv) when the company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

**SANDSTORM RESOURCES LTD.**  
**Notes to Interim Financial Statements**  
**December 31, 2007**  
Unaudited

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**3. Significant Accounting Policies – Continued**

*Section 3862 – Financial Instruments – Disclosures*

This Section requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Entities will be required to disclose the measurement basis or bases used, and the criteria used to determine classification for different types of instruments.

The Section requires specific disclosures to be made, including the criteria for:

- (i) designating financial assets and liabilities as held for trading;
  - (ii) designating financial assets as available-for-sale; and
  - (iii) determining when impairment is recorded against the related financial asset or when an allowance account is used.
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**4. Fair Value of Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

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**SANDSTORM RESOURCES LTD.**  
**Notes to Interim Financial Statements**

**December 31, 2007**

Unaudited

**5. Share Capital**

a) Details are as follows:

	Number of Shares	Amount	Contributed Surplus	Total
Authorized:				
Unlimited common shares without par value				
Issued and outstanding:				
Shares issued for capital	1,120,000	\$ 112,000	\$ --	\$ 112,000
Balance – March 31, 2007	1,120,000	112,000	--	112,000
Shares issued for capital (Note 5c)	100,000	10,000	--	10,000
Share issuance for initial Public offering	1,000,000	200,000	--	200,000
Share issuance costs	--	(56,512)	--	(56,512)
Agent's warrants issued as share issuance costs	--	(11,653)	11,653	--
Stock-based compensation (Note 5b)	--	--	8,048	8,048
Agent's warrants exercised	1,000	200	--	200
Fair value of agent's warrants exercised	--	117	(117)	--
Balance – December 31, 2007	2,221,000	\$ 254,152	\$ 19,584	\$ 273,736

On July 31, 2007, the Company completed its IPO of 1,000,000 common shares at \$0.20 per share for gross proceeds of \$200,000. The Company paid a commission of 10% of the gross proceeds, a corporate finance fee of \$8,000 and granted 100,000 agent's warrants at an exercise price of \$0.20 per share to Wolverton Securities Ltd., who acted as agent for the offering. The warrants expire on July 31, 2009.

As at December 31, 2007, 99,000 of the agent's warrants issued on July 31, 2007 remain outstanding. The warrants expire on July 31, 2009.

b) **Stock Options**

On March 26, 2007 shareholders approved an incentive stock option plan (the "Plan") whereby the Company may grant stock options to eligible employees, officers, directors and consultants at an exercise price to be determined by the board of directors. The 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 period, the Company granted stock options to acquire an aggregate of 50,000 common shares at an exercise price of \$0.20 per share to the directors and officers of the Company, which expire on July 31, 2012. All options granted were immediately exercisable at the grant date.

**SANDSTORM RESOURCES LTD.**  
**Notes to Interim Financial Statements**

**December 31, 2007**

Unaudited

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**5. Share Capital – Continued**

The fair value of the options granted was \$8,048 (\$0.16 per option) and was recorded as an expense during the period and as a credit to contributed surplus. The fair value of the warrants issued to the agent of \$11,653 was recorded as a share issuance cost and as a credit to contributed surplus.

The fair value of options and warrants granted on July 31, 2007 are estimated on their grant date using the Black-Scholes option-pricing model with the following assumptions:

	<b>Directors' and Officers' Options Granted on July 31, 2007</b>	<b>Agent's Warrants Granted on July 31, 2007</b>
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	110%	110%
Risk-free interest rate	4.50%	4.50%
Expected life of options and warrants	5 years	2 years

Option pricing models require the input of highly subjective assumptions including the estimate of the share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

As at December 31, 2007, all 50,000 options granted on July 31, 2007 remain outstanding.

**c) Escrow Shares**

During the period ended December 31, 2007, the company issued 100,000 common shares at a price of \$0.10 per common share for total proceeds of \$10,000 which will be held in escrow. These common shares will be released pro-rata to the shareholders as to 10% of the escrow shares upon issuance of notice of final acceptance of a Qualifying Transaction by the TSX-V and the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities.

As at December 31, 2007, 1,220,000 shares are held in escrow. All shares held in escrow are subject to the same release terms.

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**6. Related Party Transactions**

During the nine month period ended December 31, 2007, legal fees of \$16,099 were paid to a firm in which a director of the Company is a partner. During the three month period ended December 31, 2007, legal fees of \$1,235 were paid to the same firm in which a director of the Company is a partner.

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**SANDSTORM RESOURCES LTD.**

**Notes to Interim Financial Statements**

**December 31, 2007**

Unaudited

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**7. Subsequent Event**

On January 16, 2008 the Company entered into an option agreement ("the Agreement") with Eagle Plains Resources Ltd. ("Eagle Plains") to earn up to a 75% interest in the Elsiar Property located 40 km north of Terrace in British Columbia, Canada. The Agreement, if completed, will constitute the Company's "Qualifying Transaction" under the TSX Venture Exchange's policies.

Under the terms of the Agreement, the Company will acquire a 60% interest in the Elsiar Property in exchange for aggregate payments and share issuances to Eagle Plains of \$500,000 and 700,000 post sub-division shares (see below) over a period of five years, and by incurring expenditures of \$3,000,000 on the Elsiar Property over the same time period. The Company is entitled to earn a further 15% interest in the Elsiar Property, for an aggregate 75% interest, by making all expenditures required to deliver a bankable feasibility study on the Elsiar Property by no later than the eighth anniversary of the date of regulatory approval of the Agreement. Upon Eagle Plains earning a 60% interest in the Elsiar Property, a joint venture will be formed between the parties.

The Elsiar Property is subject to a 1.0% net smelter returns royalty payable to an arm's length individual pursuant to the Underlying Agreement (the "Underlying Royalty"). Pursuant to the Option Agreement, upon exercise of the Option the Company will be responsible for payment of a portion of the Underlying Royalty based on the Company's percentage interest in the Elsiar Property. The Underlying Royalty may be bought out by the Joint Venture for \$1,000,000 at any time following a decision to take the Elsiar Property into commercial production.

If the Company exercises the Option and acquires a 60% interest in the Elsiar Property, the Company's interest will also be subject to a 1% net smelter returns royalty retained by Eagle Plains (the "EP Royalty"). The Company will be entitled at any time to buy out the EP Royalty for \$1,000,000.

The Company has agreed to pay a \$7,500 finder's fee in connection with the Agreement.

Subject to all necessary approvals and prior to closing of the transactions underlying the Agreement, the Company anticipates sub-dividing its outstanding common shares on a two for one basis. The Company also proposes to complete, concurrently with the closing of the Option Agreement on the Elsiar Property, a non-brokered private placement of up to 11,350,000 units of the Company at a price of \$0.10 per unit, for gross proceeds of up to \$1,135,000. In addition, the Company proposes to complete a non-brokered private placement of up to 2,000,000 units of flow-through financing at a price of \$0.10 per unit, for gross proceeds of up to \$200,000. Units of both the non-flow through units and the flow through units will consist of one post sub-division common share and one post sub-division common share purchase warrant. Each warrant will entitle the holder to acquire one additional post-subdivision common share of the Company at a price of \$0.195 a share for a period of two years from closing.

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