

# Sandstorm Resources Ltd.

Interim Management's Discussion & Analysis and Financial Statements  
June 30, 2008

Unaudited

**SANDSTORM RESOURCES LTD. (the “Company” or “Sandstorm”)**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
For the Period Ended June 30, 2008

This management’s discussion and analysis (“MD&A”) should be read in conjunction with the unaudited interim financial statements for the period ended June 30, 2008. The information contained within this MD&A is current to August 27, 2008 and is stated in Canadian dollars.

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

**FORWARD LOOKING STATEMENTS**

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. 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.

**CORPORATE DEVELOPMENT AND STRATEGY**

Until April 22, 2008, the Company was a “Capital Pool Company” (“CPC”) as defined by the policies of the TSX Venture Exchange (the “Exchange”). The Company’s principal business as a CPC was to identify and evaluate resource properties with a view to completing a “Qualifying Transaction” that would be accepted by the Exchange in accordance with Exchange Policy 2.4.

On January 16, 2008 the Company entered into an option agreement (“the Agreement”) with Eagle Plains Resources Ltd. to earn up to a 75% interest in certain mineral claims referred to as the Elsiar Property in British Columbia, Canada. The Agreement was approved as the Company’s “Qualifying Transaction” under the TSX Venture Exchange's policies and accordingly, on closing of this Qualifying Transaction on April 22, 2008, the Company ceased being a CPC. The Agreement constituted an arm’s length qualifying transaction and, in accordance with Exchange policies, was not subject to shareholder approval.

### ***Option Agreement***

To acquire a 60% interest the Company is required to pay \$500,000 and issue 700,000 common shares, and incur expenditures of \$3,000,000 on the Elsiar Property over a period of five years. 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 property by no later than May 4, 2016. Upon satisfying the terms of the Agreement, the company and the vendor will be deemed to have formed a joint venture between the parties.

The property is subject to a 1.0% net smelter returns royalty (“NSR”) which may be bought out by the joint venture for \$1,000,000 at any time following a decision to take the property into commercial production.

The Company paid a \$7,500 finder’s fee in connection with the Agreement.

All common shares held by Principals of Sandstorm (as such term is defined in the Exchange's policies) are held in escrow in accordance with the policies of the Exchange.

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

The Company sub-divided its outstanding common shares on a two for one basis effective as of April 4, 2008. All share, warrant, option, and per unit data has been updated to reflect this stock split.

### ***Private Placement***

The Company completed, concurrently with the closing of the Agreement on the Elsiar Property, a non-brokered private placement of 11,350,000 units of the Company at a price of \$0.10 per unit, for gross proceeds of \$1,135,000. In addition, the Company completed a non-brokered private placement of 2,000,000 units of flow-through financing at a price of \$0.10 per unit, for gross proceeds of \$200,000. Both the non-flow through units and the flow through units consist of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of \$0.195 per share until April 22, 2010.

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

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

On the closing of the Agreement and the private placement on April 22, 2008, the Company was classified as a natural resource issuer and had 17,892,000 common shares outstanding and 13,350,000 warrants outstanding entitling the holders to purchase an equal number of common shares. In addition, a total of 100,000 Stock Options and

198,000 Agent's Warrants were also outstanding at the closing of the Agreement and the private placement.

***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 is disclosed in a "qualifying report" dated January 22, 2008. The qualifying report was prepared by Robert J. Sharp, P. Geol, a "qualified person" as defined under National Instrument 43-101. A copy of the "qualifying report" is available under the Company's profile on the SEDAR website as [www.sedar.com](http://www.sedar.com).

## SUMMARY OF QUARTERLY RESULTS

### Quarters Ended:

	June 30, 2008	March 31, 2008	Dec. 31, 2007	Sept. 30, 2007	June 30, 2007	9 days ending March 31, 2007
	\$	\$	\$	\$	\$	\$
Interest and other Income	10,153	1,422	1,464	1,118	395	--
Net loss for the period	(4,545)	(27,670)	(2,920)	(18,015)	(12,998)	(10,334)
Net loss per share	(0.00)	(0.02)	(0.00)	(0.00)	(0.00)	(0.00)
Total assets	1,532,961	1,470,832	232,400	232,721	117,692	111,997
Total long-term liabilities	--	--	--	--	--	--

The Company was incorporated on March 23, 2007 and thus, the Company does not have eight quarters of information for disclosure.

### ANALYSIS OF FIRST QUARTER RESULTS

The Company experienced a loss of \$4,545 during the three months ended June 30, 2008. This loss is mainly attributable to \$3,500 professional fees for the review of the June 30, 2008 financial statements and \$1,000 for exchange listing maintenance.

The loss incurred during the three months ended June 30, 2007 was attributed to expenses of \$10,070 relating to the Company's IPO and \$3,323 to maintenance of the Company's exchange listing.

The loss incurred for the three months ended March 31, 2008 resulted from \$18,500 in audit fees and \$10,592 in exchange listing maintenance costs. In addition to these expenses, the Company received interest income in the amount of \$1,422.

### LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2008, the Company had cash of \$1,351,975 (March 31, 2008 - \$1,360,271) and working capital of \$1,355,410 (March 31, 2008 - \$1,312,317).

Cash remained consistent from March 31, 2008 as the majority of funds from the closing of the private placements in April 2008 were collected before March 31, 2008. Remaining cash collected from the private placements was offset by operating and investing expenditures.

Upon the completion of the Agreement, the Company is committed to the following payments to Eagle Plains:

Due Date	Cash Payment		Post-subdivided Shares	Expenditures	
May 4, 2008	\$ 20,000	<i>(paid)</i>	100,000		
May 4, 2009	\$ 25,000		100,000	\$	200,000 <i>(paid \$40,000 to date)</i>
May 4, 2010	\$ 25,000		100,000	\$	300,000
May 4, 2011	\$ 50,000		100,000	\$	500,000
May 4, 2012	\$ 120,000		100,000	\$	750,000
May 4, 2013	\$ 260,000		200,000	\$	1,250,000
<b>Total</b>	<b>\$ 500,000</b>		<b>700,000</b>	<b>\$</b>	<b>3,000,000</b>

Although the Company believes it will have enough capital resources to meet its commitment to Eagle Plains, there is no guarantee that the Company will be able to secure additional financings in the future at terms that are favourable.

## SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares of which 17,892,000 shares are outstanding as of August 27, 2008. Of these common shares, 11,184,000 are currently 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 (released) and the remainder in six equal tranches of 15% every six months thereafter over a period of 36 months.

On April 22, 2008 upon the completion of the Qualifying Transaction, three of the Company's directors resigned. The Company has 100,000 Stock Options outstanding at an exercise price of \$0.10 per share. Of these 100,000 Stock Options, 60,000 expire April 22, 2009. The 60,000 Stock Options represent those retained for a period of one year by the resigned directors. The remaining 40,000 Stock Options expire according to their original terms on July 31, 2012. The Company had 100,000 stock options outstanding at August 25, 2008.

In addition, the Company has 13,350,000 share purchase warrants outstanding as at August 25, 2008 at an exercise price of \$0.195 per share expiring April 22, 2010 and 198,000 Agent's Warrants outstanding at an exercise price of \$0.10 per share expiring July 31, 2009. Each share purchase warrant and Agent's Warrant is exercisable into one common share of the Company. As well, 8,856,000 of the Company's 13,350,000 outstanding share purchase warrants are currently held in escrow and will be released pro-rata to the holders as to 10% of the warrants upon issuance of notice of final acceptance of a Qualifying Transaction by the Exchange (released) and the remainder in six equal tranches of 15% every six months thereafter over a period of 36 months. Any common shares acquired by the holders of these warrants upon exercise will also fall under the terms of the subject escrow agreement.

## **RELATED PARTY TRANSACTIONS**

During the period ended June 30, 2008, Paul Visosky resigned as a director of the Company. The resignation was effective April 22, 2008. For the period April 1 to April 22, 2008, legal fees of \$15,715 were incurred with related party Paul Visosky.

## **FINANCIAL INSTRUMENTS**

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

## **CHANGES IN ACCOUNTING POLICIES**

### **Capital Disclosures**

Section 1535 "Capital Disclosures" establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard the Company is 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.

This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

### **Financial Instruments – Disclosure and Presentation**

CICA Handbook Section 3862, *Financial Instruments – Disclosures* requires entities to provide disclosures 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 how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3863, *Financial Instruments – Presentation*, and Section 3865, *Hedges*. This section applies to interim

and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

CICA Handbook Section 3863, *Financial Instruments – Presentation* is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

### **Assessing Going Concern**

CICA Handbook Section 1400 was amended to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

### **FUTURE CHANGES IN ACCOUNTING POLICIES**

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2011.

The Company is currently in the process of developing its IFRS conversion plan and evaluating the impact of the transition to IFRS. The Company will invest in resources during the transition to facilitate a timely conversion.

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

Unaudited

	June 30, 2008	March 31, 2008
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 1,351,975	\$ 1,360,271
Receivables	10,900	7,579
Prepaid expenses	18,122	--
	<u>1,380,997</u>	<u>1,367,850</u>
<b>Deferred charges</b>	--	102,982
<b>Advances</b>	20,000	
<b>Mineral property (Note 6)</b>	131,964	--
	<u>\$ 1,532,961</u>	<u>\$ 1,470,832</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 25,587	\$ 55,533
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital (Note 7a)</b>	1,128,289	254,152
<b>Share subscriptions received in advance</b>	--	1,213,500
<b>Contributed surplus (Note 7a)</b>	455,567	19,584
<b>Deficit</b>	(76,482)	(71,937)
	<u>1,507,374</u>	<u>1,415,299</u>
	<u>\$ 1,532,961</u>	<u>\$ 1,470,832</u>

**Nature of operations (Note 1)**

ON BEHALF OF THE BOARD:

"Marcel DeGroot" , Director"David Awram" , Director

SANDSTORM RESOURCES LTD.

**Interim Statements of Loss, Comprehensive Loss and Deficit**  
**For the Three Months Ended June 30**

Unaudited

	2008	2007
<b>Expenses</b>		
General and administrative	\$ 1,362	\$ 455
Professional fees	6,572	2,250
Transfer agent and filing fees	6,764	10,688
	<u>(14,698)</u>	<u>(13,393)</u>
<b>Other Item</b>		
Interest income	10,153	395
<b>Loss and comprehensive loss for the period</b>	<u>(4,545)</u>	<u>(12,998)</u>
Deficit – beginning of period	(71,937)	(10,334)
<b>Deficit – end of period</b>	<u>\$ (76,482)</u>	<u>\$ (23,332)</u>
<b>Loss per share – basic and diluted</b>	<u>\$ (0.00)</u>	<u>(0.01)</u>
<b>Weighted average number of common shares outstanding</b>	<u>14,640,352</u>	<u>2,259,780</u>

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

**SANDSTORM RESOURCES LTD.**  
**Interim Statements of Cash Flows**  
**For the Three Months Ended June 30**  
Unaudited

	2008	2007
<b>Cash Provided By (Used In)</b>		
<b>Operating Activities</b>		
Loss for the period	\$ (4,545)	\$ (12,998)
Changes in non-cash working capital:		
Receivables	(3,321)	(2,372)
Prepaid expenses	(17,694)	--
Accounts payable and accrued liabilities	5,624	8,693
	<u>(19,936)</u>	<u>(6,677)</u>
<b>Financing Activities</b>		
Share issue proceeds	121,500	--
Share issuance costs	(11,718)	10,000
Deferred charges – private placement costs	--	(33,484)
	<u>109,782</u>	<u>(23,484)</u>
<b>Investing Activity</b>		
Advances to mineral property	(20,000)	
Mineral property costs	(78,142)	--
	<u>(98,142)</u>	
<b>Net decrease in cash</b>	(8,296)	(30,161)
Cash – beginning of period	<u>1,360,271</u>	<u>111,997</u>
<b>Cash – end of period</b>	<u>\$ 1,351,975</u>	<u>\$ 81,836</u>
<b>Supplemental disclosure:</b>		
Interest and income taxes paid	\$ --	\$ --
<b>Significant non-cash transactions:</b>		
Shares issued for option payment	\$ 13,000	\$ --
Allocation of deferred charges to mining property	\$ 70,348	--
Allocation of deferred charges to share issuance costs	\$ 32,206	--

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

## Notes to the Interim Financial Statements

June 30, 2008

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. The principal business of the Company is the acquisition and exploration of mineral properties.

The Company started as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. On April 22, 2008, the Company completed its Qualifying Transaction whereby the Company signed an option agreement to earn up to a 75% interest in certain mineral claims referred to as the Elsiar Property in British Columbia, Canada (*Note 6*). As a result, the Company is no longer considered a capital pool company and is classified as a mineral exploration company.

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### 2. Going Concern

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. An adverse condition that casts doubt on the validity of this assumption is the Company has incurred operating losses over the past fiscal years.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate because management believes that its capital risk management (*Note 5*) will mitigate the adverse condition that raises doubt about the validity of the going concern assumption used in the preparation of these financial statements. However, the success of this strategy cannot be assured.

If the going concern assumption was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses, and the balance sheet classifications used.

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### 3. Basis of Presentation

These interim unaudited financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of the financial statements is based on accounting policies and methods of application as the audited financial statements of the Company for the year ended March 31, 2008, except as described in Note 4. The accompanying unaudited interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended March 31, 2008, as they do not include all the information and note disclosure required by Canadian GAAP for annual financial statements.

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### 4. Change in Generally Accepted Accounting Principles

#### a) Financial Instruments:

On April 1, 2008, the Company adopted three new presentation and disclosure standards issued by the Canadian Institute of Chartered Accountants. Sections 3862: Financial Instruments – Disclosure and 3863: Financial Instruments – Presentation have replaced Section 3861: Financial Instruments – Disclosure and Presentation. These new sections carry forward the presentation requirements for financial instruments and place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments.

Section 1535: Capital Disclosures requires disclosure of the Company's objectives, policies and processes for managing capital, quantitative data about what the Company regards as capital,

## Notes to the Interim Financial Statements

June 30, 2008

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whether the Company has complied with any capital requirements, and if the Company has not complied, the consequences of such non-compliance.

### b) Mineral Properties:

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Mineral property costs include cash costs and fair market value of common shares, based on the trading price of the shares issued for mineral property interests. Payments relating to a property acquired under an option or joint venture agreement are made at the sole discretion of the Company, and are recorded as mineral property acquisition costs upon payment. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units of production method over estimated recoverable reserves.

Management annually assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavorable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development. If management determines that the carrying values cannot be recovered or the carrying values are related to properties that are allowed to lapse, the unrecoverable amounts are expensed in the period that this determination is made.

The recoverability of mineral properties, exploration and development cost is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

### c) Share Capital:

The proceeds from the issue of units are allocated between common shares and common share purchase warrants on a pro-rata basis based on relative fair values. The fair value of common shares is based on the market close on the date the units are issued and the fair value of common share purchase warrants is determined using the Black-Scholes pricing model.

### d) Flow Through Shares:

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. Under the liability method of accounting for income taxes, the future income taxes related to the temporary difference arising at the renunciation date are recorded at that time together with a corresponding reduction to the carrying value of the shares issued.

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## 5. Fair Value of Financial Instruments

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

The Company has designated its financial instruments as follows:

- Cash and cash equivalents, and receivables are classified as "Held-for-Trading". Due to their short-term nature, their carrying value equals their fair value.

**SANDSTORM RESOURCES LTD.**

**Notes to the Interim Financial Statements**

**June 30, 2008**

Unaudited

- Accounts payable and accrued liabilities are classified as "Other Financial Liabilities". These financial liabilities are recorded at values that approximate their amortized cost using the effective interest rate method.

**CAPITAL RISK MANAGEMENT**

The Company's objective of capital management is to ensure that it will be able to continue as a going concern, continue the exploration of the Elsiar Property, and identify, evaluate, and acquire additional resource properties. The Company's overall strategy remains unchanged from March 31, 2008. The capital of the Company consists of shareholders' equity. The Company is meeting its capital risk objectives by successfully raising, from time to time, the required funds. The Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives. The Company is not subject to externally imposed capital requirements.

**CREDIT RISK**

The Company's credit risk is limited to its investment in cash and cash equivalents and receivables. The Company holds its cash and cash equivalents with a large international financial institution and the balance of receivables owed to the Company in the ordinary course of business is not significant. Therefore, the Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from the prior year.

**CURRENCY RISK**

The Company's currency risk is limited to a small portion of its cash invested in a foreign currency. At June 30, 2008, the portion of cash invested in a foreign currency was 3%. Therefore, the Company is not exposed to significant currency risk.

**INTEREST RATE RISK**

The Company's financial instruments are not exposed to interest rate risk.

**LIQUIDITY RISK**

The Company's financial instruments are not exposed to liquidity risk as the Company has sufficient working capital to meet its obligations.

**OTHER PRICE RISK**

The value of the Company's mineral resource properties is related to the price of various commodities and the outlook for them. Commodity prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial retail demand, central bank lending, forward sales by producers and speculators, level of worldwide production and short-term changes in supply and demand.

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**6. Mineral Property**

The Company entered into a property option agreement with Eagle Plains to earn up to a 75% interest in certain mineral claims referred to as the Elsiar Property in British Columbia, Canada. To acquire a 60% interest the Company is required to pay \$500,000 and issue 700,000 common shares, and incur expenditures of \$3,000,000 on the Elsiar Property over a period of five years. 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 property by no later than May 4, 2016. Upon satisfying the terms of the Agreement, the company and the vendor will be deemed to have formed a joint venture between the parties.

**SANDSTORM RESOURCES LTD.**

**Notes to the Interim Financial Statements**

**June 30, 2008**

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The property is subject to a 1.0% net smelter returns royalty ("NSR") which may be bought out by the joint venture for \$1,000,000 at any time following a decision to take the property into commercial production.

The Company is committed to the following payments to Eagle Plains:

Due Date	Cash Payment	Post-subdivided Shares	Expenditures
May 4, 2008	\$ 20,000 ( <i>paid</i> )	100,000 ( <i>issued</i> )	
May 4, 2009	\$ 25,000	100,000	\$ 200,000
May 4, 2010	\$ 25,000	100,000	\$ 300,000
May 4, 2011	\$ 50,000	100,000	\$ 500,000
May 4, 2012	\$ 120,000	100,000	\$ 750,000
May 4, 2013	\$ 260,000	200,000	\$ 1,250,000
<b>Total</b>	<b>\$ 500,000</b>	<b>700,000</b>	<b>\$ 3,000,000</b>

The Company has incurred the following expenses on the Elsiar Property:

	Acquisition	Exploration	Total
Option payments	\$ 33,000	\$ --	\$ 33,000
Finders fees	7,500	--	7,500
Legal and professional fees	91,139	325	91,464
<b>Balance – June 30, 2008</b>	<b>\$ 131,639</b>	<b>\$ 325</b>	<b>\$ 131,964</b>

**7. Share Capital and Contributed Surplus**

**a) Details are as follows:**

	Number of Shares	Capital Stock	Contributed Surplus
Authorized:			
Unlimited common shares without par value			
Issued and outstanding:			
Balance – March 31, 2007	2,240,000	\$ 112,000	\$ --
Shares issued for capital	200,000	10,000	--
Share issuance for initial public offering	2,000,000	200,000	--
Share issuance costs	--	(56,512)	--
Agent's warrants issued as share issuance costs	--	(11,653)	11,653
Stock-based compensation	--	--	8,048
Agent's warrants exercised	2,000	200	--
Fair value of agent's warrants exercised	--	117	(117)
Balance – March 31, 2008	4,442,000	\$ 254,152	\$ 19,584
Units issued for private placements (non-flow through)	11,350,000	764,333	370,667
Units issued for private placements (flow through)	2,000,000	134,684	65,316
Share issuance costs	--	(37,880)	--
Shares issued for option payment	100,000	13,000	--
Balance – June 30, 2008	17,892,000	\$ 1,128,289	\$ 455,567

**SANDSTORM RESOURCES LTD.****Notes to the Interim Financial Statements****June 30, 2008**

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Effective on April 4, 2008, all common shares were split on a two-for-one basis. Accordingly, the comparative number of shares and per share amounts has been retroactively adjusted to reflect the two-for-one split.

During the period, the Company completed a non-brokered private placement of 11,350,000 units of the Company at a price of \$0.10 per unit, for gross proceeds of \$1,135,000. In addition, the Company completed a non-brokered private placement of 2,000,000 units of flow-through financing at a price of \$0.10 per unit, for gross proceeds of \$200,000. Units of both the non-flow through units and the flow through units consist of one common share and common share purchase warrant. Each warrant will entitle the holder to acquire one additional common share of the Company at a price of \$0.195 a share and expire April 22, 2010.

**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 and vesting term 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.

A summary of the Company's options, which includes options issued under the Company's stock option plan at June 30, 2008 and the changes for the period are as follows:

	Number of Options	Weighted average exercise price
Options outstanding at March 31, 2008 and June 30, 2008	100,000	\$0.10

On April 22, 2008, three of the Company's directors resigned. As a result, the 60,000 stock options granted to these directors now expire April 22, 2009. The remaining 40,000 options granted during 2007 continue to expire on July 31, 2012.

A summary of the Company's options as of June 30, 2008 is as follows:

	Number	Vested	Price per Share	Expiry Date
Options	60,000	60,000	\$0.10	April 22, 2009
	40,000	40,000	\$0.10	July 31, 2012
	100,000	100,000		

**c) Share Purchase Warrants**

During the period, the Company granted 13,350,000 (2007 – nil) warrants with a fair market value of \$435,983 (2007 – \$nil). The fair value of the warrants was determined using the Black-Scholes pricing model using the following assumptions:

	June 30, 2008	March 31, 2008
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	110%	110%
Risk-free interest rate	2.64%	4.50%
Expected life of warrants	2 years	2 years

**SANDSTORM RESOURCES LTD.****Notes to the Interim Financial Statements****June 30, 2008**

Unaudited

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

	Number of Warrants
Warrants outstanding at March 31, 2007	--
Issued	200,000
Exercised	(2,000)
Warrants outstanding at March 31, 2008	198,000
Issued	13,350,000
Warrants outstanding at June 30, 2008	13,548,000

A summary of the Company's warrants as of June 30, 2008 is as follows:

	Number	Price per Share	Expiry Date
Warrants	198,000	\$0.10	July 31, 2009
	13,350,000	\$0.195	April 22, 2010
	13,548,000		

**d) Escrow Shares and Warrants**

Included in share capital are 11,184,000 (March 31, 2008 – 2,240,000) common shares 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 (released) 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.

Included in warrants outstanding are 8,856,000 (March 31, 2008 – nil) warrants held in escrow. These warrants will be released pro-rata to the holders as to 10% of the warrants upon issuance of notice of final acceptance of a Qualifying Transaction by the TSX-V (released) and the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. Any common shares acquired by the holders of these warrants upon exercise will also fall under the terms of the subject escrow agreement.

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**8. Related Party Transactions**

During the period ended June 30, 2008, legal fees of \$15,715 (2007 – \$nil) were incurred to a firm in which a director of the Company is a partner, who as of June 30, 2008 was no longer a related party. The legal fees were classified as \$11,000 in mineral properties (2007 - \$nil), \$3,928 (2007 - \$nil) in share issuance costs, and \$787 (2007 - \$nil) in professional fees. The transactions have been recorded at their exchange amount, which is the amount of consideration agreed upon by the related parties.

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**9. Segmented Information**

The Company operates in Canada as a mineral exploration company.

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