

SSL (T-VEN)	Cdn\$1.44
Stock Rating:	Outperform (Unchanged)
Target:	Cdn\$1.80 (Unchanged)
Risk Rating:	Above Average (Unchanged)
Est. Total Return	25%

Stock Data:

52-week range (Cdn\$)	\$ 0.64 - \$ 1.67		
Current Price (Cdn\$)	\$1.44		
Bloomberg/Reuters: Canada	SSL CV / SSL.TO		
(Year-End Dec. 31)	2011e	2012e	2013e
EPS (US\$)	\$0.03	\$0.08	\$0.09
P/E	45.2x	19.0x	15.6x
CFPS (US\$)	\$0.06	\$0.13	\$0.16
P/CF	24.5x	10.8x	9.0x
EBITDA (US\$ Mln)	\$17.6	\$42.6	\$51.2
EV/EBITDA	26.4x	10.9x	9.1x
Production ('000's oz)	18	37	44
Cash Cost (US\$/oz)	\$424	\$403	\$393

Financial Data:

Shares Outstanding (mln)	321.6
Market Capitalization (Cdn\$ mln)	\$463
Fully Diluted (mln)	455.0
Book Value per Share (Cdn\$)	\$0.41
Price/Book Ratio	3.5x
Net Asset Value per Share (Cdn\$)	\$0.84
Price/NAV	1.7x
Total Debt (Cdn\$ mln)	\$0.0
Total Cash (Cdn\$ mln)	\$5.8

Industry Rating: Overweight
(NBF Economics & Strategy Group)

Company Profile:

Sandstorm gold is a growth focused junior royalty company looking to acquire precious metal production streams from advanced stage development projects or operating mines. The royalty framework is attractive to investors looking to maintain exposure to exploration success, expansion possibilities and metal price movements while reducing risks typically associated with operating mines.

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Sandstorm Gold Ltd.

Production at Aurizona Reaches Feasibility Levels

Increased 2011 Gold Sales and Cash Flow

HIGHLIGHTS

■ **Mine Produces 5,018 oz in August**

This morning, Luna Gold Corp. (LGC-TSXV, not rated) provided a production update at its 100%-owned Aurizona operation. Quarter-to-date, the mine has produced 8,398 oz – we were conservatively modelling 10,000 oz for the quarter with a steady state of 4,000 oz per month throughout Q4 2011.

■ **Increased 2011 Production Estimate**

We have increased our modelled production estimate at Aurizona to 38,250 oz from 35,250 oz previously – increasing SSL's 17% share of production to 6,500 oz from Aurizona (was 6,000 oz). As a result our modelled 2011E CF has increased modestly to US\$18.9 million or US\$0.06 per share (was US\$17.4 million / US\$0.05 per share).

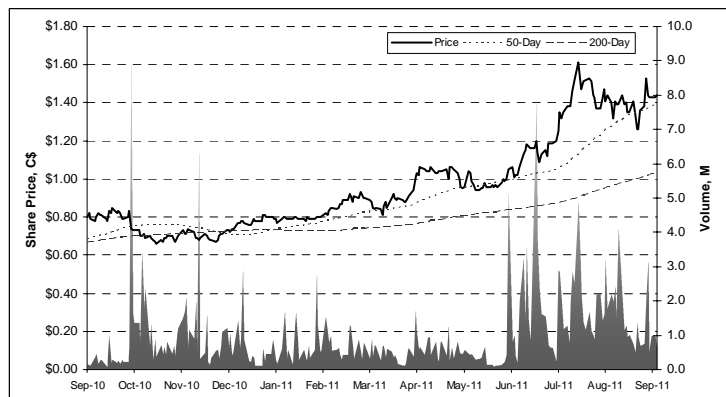
■ **Aurizona Continues to be Main Driver of Valuation**

SSL's 17% of production from Luna Gold's Aurizona mine at a cost of US\$400/oz accounts for US\$109 million or 29% of our after-tax NAV. We continue to model a steady increase in production at Aurizona to 100,000 oz/year (17,000 oz attributable to SSL) by 2014 (compared to LGC guidance of 100,000 oz/yr by the end of 2012).

■ **Valuation Unchanged**

We have maintained our \$1.80 target price based on a multiple of 18.0x EV/2012E CF - a discount to senior royalty companies within our coverage universe and a premium to SSL's operating peer group. At spot gold prices of US\$1,900/oz, our implied target price would be \$2.40 per share.

Stock Performance



Revisions to NBF's 2011 Production Estimates

We have adjusted our 2011 attributable production forecast to 17,500 oz from 17,000 oz previously, by modestly increasing our production estimate at Aurizona to 38,250 oz from 35,250 oz previously. We highlight the production ramp up at Aurizona provided in today's press release with our production estimates at the operation in Figure 1 and highlight the revisions to our 2011 sales estimates in Figure 2.

	Apr 2011	May 2011	Jun 2011	July 2011	Aug 2011	Q3 2011E	Q4 2011E	2011E	2012E
Processed Ore, tonnes	32,465	82,654	95,416	111,783	144,728	-	-	-	-
Gold Grade, g/t	1.02	1.32	1.31	1.20	1.29	-	-	-	-
Recovery, %	63%	61%	69%	82%	88%	-	-	-	-
Gold Produced, oz	671	2,123	2,766	3,380	5,018	12.0	12.4	38	70

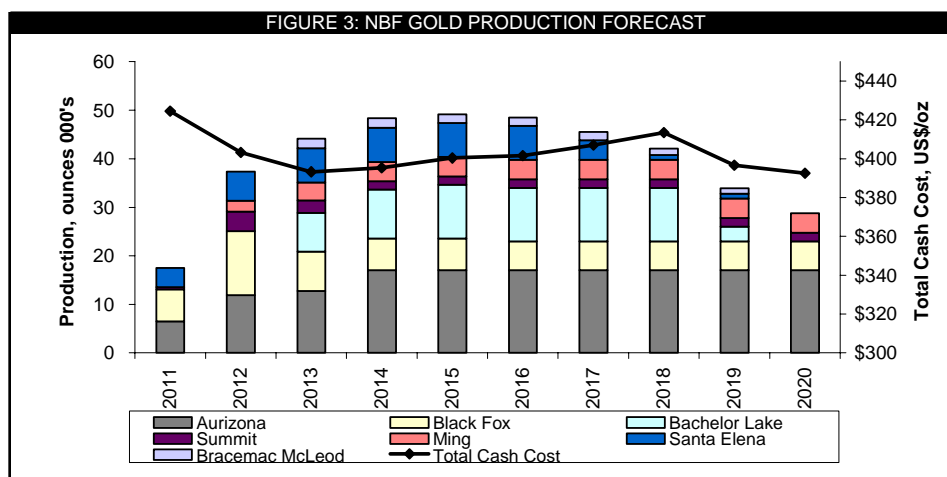
Source: Company Reports / NBF Estimates

Project	Operator	SSL Guidance Revised	NBF Estimates	
			Previous	Revised
Aurizona	Luna Gold	-	6,000	6,500
Black Fox	Brigus Gold	-	6,600	6,600
Santa Elena	SilverCrest	-	4,000	4,000
Summit	Santa Fe Gold	-	400	400
		14,000 - 17,000	17,000	17,500

Source: Company Reports / NBF

Strong Production Growth from Current Portfolio

Based on production from Sandstorm's four producing purchase agreements and additional production from the Ming Mine (anticipated by Q2 2012), Bachelor Lake (anticipated in Q1 2013) and Bracemac-McLeod (anticipated Q1 2013), gold sales are expected to increase by approximately 175% by 2014. SSL is anticipating over 50,000 oz of gold production (compared with our modeled production of 48,000 oz) by 2014 with all seven gold streams in operation. With record gold prices, limited exposure to cost inflation and substantial production growth, Sandstorm is uniquely positioned to add value moving forward. Our modeled production growth is illustrated in Figure 3 highlighting that gold production over the next 10 years averages approximately 40,000 oz of annual production at a cost of US\$400/oz.



Source: NBF Estimates

Upcoming Catalysts

2011

- Commercial production from underground at Black Fox – Q2 2011
- Exploration results from Santa Elena
- Updated resource from Aurizona

2012

- Potential expansion of Aurizona mill to 100,000 oz/year of production – Luna Gold guidance of late 2012 (late 2013 in our model)
- Full commercial production from Ming Mine – guidance of Q3 2011 (2012 in our model)
- Full commercial production from Summit
- Full commercial production from Bachelor Lake – 2012 (Q1 2013 in our model)

2013

- Possible US\$36.6 million payment from Brigus Gold Corp. for 50% of Sandstorm Gold's metal stream – we have included this payment on Jan. 1, 2013, reducing SSL's interest to 6%
- Commercial production from Bracemac-McLeod

Other

- Exploration results from drilling at depth and along strike at Aurizona
- Exploration results from deep drilling at Black Fox and extending mineralization toward Pike River property to the east
- Additional acquisitions

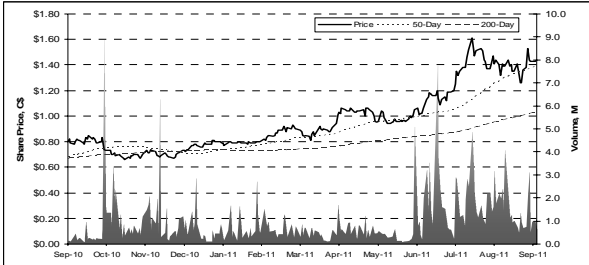
Target Price & Rating

Our \$1.80 price target is based on a multiple of 18.0x EV/2012E CF, notably lower than SSL's senior royalty peer group of FNV, RGLD-US and SLW and a premium to junior producers - as Sandstorm Gold has lower operating risk, fixed low-cash costs, near-term production growth and significant exploration potential. Our 2012E CF is US\$43 million or US\$0.13 per fully diluted share using 2012E gold price of US\$1,600/oz. At spot gold prices of US\$1,900/oz, our implied cash flow for 2012 is US\$54 million. Our after-tax NAV is US\$379million or \$0.84 per fully diluted share based on our gold price deck (which assumes a long-term gold price of US\$1,200/oz in 2015 onward).

FIGURE 4: SSL NAV BREAKDOWN

	US\$ Mln	Base Case C\$ per F/D share	Spot C\$ per F/D share
Corporate Adjustments			
Working Capital	\$6	\$0.01	\$0.02
Cash on Dilution	\$64	\$0.14	\$0.14
Long Term Debt	\$0	\$0.00	\$0.00
LOM Corporate G&A (8%)	(\$11)	(\$0.00)	(\$0.00)
	\$59	\$0.13	\$0.13
Project NAV			
Aurizona NAV (3%)	\$109	\$0.25	\$0.38
Bachelor Lake NAV (5%)	\$34	\$0.08	\$0.12
Black Fox NAV (3%)	\$83	\$0.18	\$0.23
Ming Mine NAV (5%)	\$35	\$0.08	\$0.10
Santa Elena NAV (3%)	\$39	\$0.09	\$0.12
Summit NAV (3%)	\$16	\$0.03	\$0.05
Bracemac-McLeod NAV (5%)	\$4	\$0.01	\$0.02
	\$320	\$0.71	\$1.02
Total NAV			
	\$379	\$0.84	\$1.15
Target/NAV		2.1x	1.6x
Price/NAV		1.7x	1.2x
Fully Diluted (F/D) Shares, mln	455.0		

Base Case Assumes: US\$1525/oz in '11, US\$1600 in '12 '13 '14 and US\$1200/oz in '15+
Source: NBF Estimates

FINANCIAL AND OPERATING SUMMARY: SANDSTORM GOLD						
STOCK RATING	Outperform				TICKER	SSL
TARGET PRICE (C\$)	\$1.80				CURRENT PRICE (C\$)	\$1.44
RETURN TO TARGET	25%				52-WEEK HIGH (C\$)	\$1.67
RISK RATING	Above Average				52-WEEK LOW (C\$)	\$0.64
SECTOR RATING	Overweight				SHARES OUTSTANDING (mln)	321.6
					MARKET CAPITALIZATION (C\$ mln)	\$463.1
FINANCIAL DATA			STOCK CHART			
Capital Structure	Avg. Strike Price (C\$)	Shares (mln)				
Shares Outstanding		321.6				
Options	\$0.57	13.2				
Warrants	\$0.67	120.3				
Fully Diluted Shares		455.0				
Balance Sheet	US\$M	US\$/sh	C\$M	C\$/sh		
Current Cash	\$6.0	\$0.02	\$5.8	\$0.02		
F/D Cash Adds	\$89.4	\$0.28	\$87.6	\$0.27		
Working Capital	\$6.8	\$0.02	\$6.7	\$0.02		
Long-term Debt	\$0.0	\$0.00	\$0.0	\$0.00		
Book Value	\$135.7	\$0.42	\$133.0	\$0.41		
Enterprise Value (EV)	\$465.7	\$1.45	\$456.4	\$1.42		
EV = Market Capitalization - Working Capital + Long-term Debt						
C\$/US\$ FX Rate: 0.98						
Ownership	O/S (M)	O/S, %	F/D(M)	F/D, %		
Libra Advisors LLC	24.64	7.7%	24.64	5.4%		
Wells Capital Management	15.66	4.9%	15.66	3.4%		
Sentry Investments	12.33	3.8%	12.33	2.7%		
T. Rowe Price Associates	9.21	2.9%	9.21	2.0%		
Management/Insiders*	20.00	6.2%	20.00	6.0%		
* Approximate						
Financial Forecast	2010A	2011E	2012E	2013E	2014E	Spot
Realized Gold Price, US\$/oz	\$1,356	\$1,526	\$1,600	\$1,600	\$1,600	\$1,760
C\$/US\$ FX Rate	\$1.04	\$0.98	\$0.98	\$0.98	\$0.98	
Shares O/S, millions	252.6	320.3	321.6	321.6	393.8	
<i>In US\$ million</i>						
Revenue	\$3.1	\$27.2	\$59.8	\$70.6	\$77.4	
Operating Cost	\$0.9	\$7.5	\$15.1	\$17.4	\$19.1	
G&A Expense	\$1.3	\$1.7	\$1.6	\$1.6	\$1.6	
EBITDA	(\$0.3)	\$17.6	\$42.6	\$51.2	\$56.2	
DD&A	\$0.3	\$4.7	\$10.1	\$11.5	\$12.3	
Earnings	\$2.4	\$10.2	\$24.4	\$29.8	\$32.9	
Operating Cash Flow	\$0.4	\$18.9	\$43.0	\$51.6	\$56.6	
Investment	\$63.5	\$34.2	(\$31.6)	\$0.0	\$0.0	
Proceeds from Equity	\$57.0	\$1.3	\$0.0	\$0.0	\$64.2	
Proceeds from Debt	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
Debt Repayment	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
Free Cash Flow	(\$8)	(\$16)	\$75	\$52	\$121	
EPS, US\$	\$0.01	\$0.03	\$0.08	\$0.09	\$0.08	
CFPS, US\$	\$0.00	\$0.06	\$0.13	\$0.16	\$0.14	
<i>CFPS Sensitivity, US\$</i>	-	\$0.00	\$0.01	\$0.01	\$0.01	
FCPS, US\$	(\$0.03)	(\$0.05)	\$0.23	\$0.16	\$0.31	
CFPS sensitivity based on a US\$50/oz change in gold price.						
PRODUCTION PROFILE (SSL ATTRIBUTABLE PRODUCTION)						
	2011E	2012E	2013E	2014E	RLOM	
Aurizona, oz 000's	6.5	11.9	12.8	17.0	152.4	
Bachelor Lake, oz 000's	-	-	8.0	10.0	65.0	
Black Fox, oz 000's	6.6	13.2	8.1	6.6	79.5	
Bracemac-McLeod, oz 000's	-	-	2.0	2.0	11.8	
Ming, oz 000's	-	2.3	3.8	4.0	35.2	
Santa Elena, oz 000's	4.0	6.0	7.0	7.0	42.7	
Summit, oz 000's	0.4	4.0	2.5	1.8	19.8	
Aurizona, US\$/oz	\$400	\$400	\$400	\$404	\$414	
Bachelor Lake, US\$/oz	-	-	\$500	\$500	\$500	
Black Fox, US\$/oz	\$500	\$500	\$505	\$510	\$521	
Bracemac-McLeod, US\$/oz	-	-	\$350	\$350	\$350	
Santa Elena, US\$/oz	\$350	\$350	\$350	\$354	\$356	
Summit, US\$/oz	\$320	\$400	\$400	\$402	\$410	
Total Gold Production, oz 000's	17.5	37.4	44.1	48.4	415	
Total Cash Costs, US\$/oz Au	\$424	\$403	\$393	\$395	\$405	
						C\$/US\$: 0.98

Source: NBF Estimates, Bloomberg, Reuters, Company Data

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