UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2015

Commission file number: 001-35617

SANDSTORM
GOLD

Sandstorm Gold Ltd.

(Exact Name of Registrant as Specified in its Charter)

British Columbia, Canada	**1041**	**Not Applicable**
(Province or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

Suite 1400, 400 Burrard Street
Vancouver, British Columbia, Canada V6C 3A6
(604) 689-0234

(Address and Telephone Number of Registrant's Principal Executive Offices)

C T Corporation System
111 Eighth Avenue
New York, New York 10011
(212) 590-9070

(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class:	**Name of Each Exchange On Which Registered:**
Common Shares, no par value	NYSE MKT LLC; Toronto Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **Common Share Purchase Warrants, expiring November 3, 2020.**

For annual reports, indicate by check mark the information filed with this form:

x Annual Information Form x Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 128,880,314 (as of December 31, 2015)

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). ¨ Yes ¨ No

EXPLANATORY NOTE

Sandstorm Gold Ltd. (the "Company" or the "Registrant") is a Canadian issuer eligible to file its annual report pursuant to Section 13 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), on Form 40-F pursuant to the multi-jurisdictional disclosure system of the Exchange Act. The Company is a "foreign private issuer" as defined in Rule 3b-4 under the Exchange Act. Equity securities of the Company are accordingly exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3.

FORWARD-LOOKING STATEMENTS

This annual report on Form 40-F and the exhibits attached hereto and incorporated herein may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act"), Section 21E of the Exchange Act, the Private Securities Litigation Reform Act of 1995 (the "PSLRA") or in releases made by the Securities and Exchange Commission ("SEC"), all as may be amended from time to time. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company or industry results to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements.

Statements that are not historical fact are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking language, such as the words "plan," "believe," "expect," "anticipate," "intend," "estimate," "project," "may," "will," "would," "could," "should," "might," "seeks," "budget", "scheduled to" or other similar words, or the negative of these terms or other variations of these terms or comparable language, or by discussion of strategy or intentions. These cautionary statements are being made pursuant to the Securities Act, the Exchange Act and the PSLRA with the intention of obtaining the benefits of the "safe harbor" provisions of such laws. The Company cautions investors that any forward-looking statements made by the Company are not guarantees or indicative of future performance. Important assumptions and other important factors that could cause actual results to differ materially from those forward-looking statements with respect to the Company include, without limitation: the impact of general business and economic conditions; the absence of control over mining operations from which Sandstorm Gold will purchase gold and other metals or from which it will receive royalty payments and risks related to those mining operations, including risks related to international operations, government and environmental regulation, delays in mine construction and operations, actual results of mining and current exploration activities, conclusions of economic evaluations and changes in project parameters as plans continue to be refined; problems inherent to the marketability of gold and other precious and non-precious metals; industry conditions, including fluctuations in the price of the primary commodities mined at such operations, fluctuations in foreign exchange rates and fluctuations in interest rates; government entities interpreting existing tax legislation or enacting new tax legislation in a way which adversely affects Sandstorm Gold; stock market volatility; competition; as well as those factors discussed in the section entitled "Risk Factors" in the Company's annual information form for the year ended December 31, 2015 (the "AIF") attached as Exhibit 99.1 to this annual report on Form 40-F and incorporated by reference herein.

Forward-looking information in this annual report on Form 40-F and the exhibits attached hereto include, among other things, disclosure regarding: Sandstorm Gold's existing 132 Gold Streams plus its royalties, of which 19 of the underlying mines are producing, as well as its future outlook and the mineral reserve and mineral resource estimates for the Santa Elena Mine, Chapada Mine and the Diavik Mine (each, as defined in Exhibit 99.1). 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 Gold will purchase gold and other precious metals, no material adverse change in the market price of commodities, that the mining operations will operate in accordance with their public statements and achieve their stated production outcomes, and such other assumptions and factors as set out therein.

Although the Company believes that its plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, actual results could differ materially from a projection or assumption in any of its forward-looking statements. The Company's future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. Accordingly, readers should not place undue reliance on forward-looking information. The forward-looking statements contained in this annual report on Form 40-F are made only as of the date hereof. The forward-looking statements contained in the exhibits incorporated by reference into this annual report on Form 40-F are made only as of the respective dates set forth in such exhibits. The Company does not have, or undertake, any obligation to update or revise any forward-looking statements whether as a result of new information, subsequent events or otherwise, unless otherwise required by law.

NOTE TO UNITED STATES READERS -
DIFFERENCES IN UNITED STATES AND CANADIAN REPORTING PRACTICES

The Company is permitted, under a multi-jurisdictional disclosure system adopted by the United States, to prepare this annual report on Form 40-F in accordance with Canadian disclosure requirements, which are different from those of the United States. The Company is also subject to Canadian auditing and auditor independence standards.

The Company prepares its financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, including the report of the independent registered public accounting firm with respect thereto. Consequently, the Company's financial statements may not be comparable to those prepared by U.S. companies. The Company's audited financial statements ("Audited Financial Statements") and the Company's management's discussion and analysis for the year ended December 31, 2015 (the "MD&A") are included in the Annual Report of the Company (the "Annual Report") which is attached hereto as Exhibit 99.2 to this annual report on Form 40-F.

CURRENCY

Unless otherwise indicated, all dollar amounts in this annual report on Form 40-F are in United States dollars. The exchange rate of United States dollars into Canadian dollars, on December 31, 2015 based upon the noon rate as published by the Bank of Canada, was U.S. $1.00=CDN$ 1.3840. The exchange rate of United States dollars into Canadian dollars, on March 29, 2016 based upon the noon rate as published by the Bank of Canada, was U.S. $1.00=CDN$1.3154.

RESOURCE AND RESERVE ESTIMATES

The Company's AIF, attached as Exhibit 99.1 to this annual report on Form 40-F, and the Annual Report, attached as Exhibit 99.2 to this annual report on Form 40-F, have been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. Unless otherwise indicated, all resource and reserve estimates included in the AIF and the Annual Report have been prepared in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") - Definition Standards adopted by CIM Council (the "CIM Definition Standards") which were incorporated by reference in the Canadian Securities Administrators' National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101") which is a rule developed by Canadian Securities Administrators that established standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. The terms "mineral reserve", "proven mineral reserve" and "probable mineral reserve" are Canadian mining terms as defined in accordance with NI 43-101 and the CIM standards. These definitions differ from the definitions in SEC Industry Guide 7 ("SEC Industry Guide 7") under the Securities Act.

In addition, the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in and required to be disclosed by NI 43-101 and the CIM standards; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Disclosure of "contained ounces" in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in place tonnage and grade without reference to unit measures.

Accordingly, information contained in this annual report on Form 40-F and the portions of documents incorporated by reference herein containing descriptions of the Company's mineral deposits may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

At the end of the period covered by this annual report on Form 40-F, an evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a - 15(e) and 15d - 15(e) under the Exchange Act). Based on that evaluation, the CEO and the CFO have concluded that as of the end of the period covered by this annual report on Form 40-F, the Company's disclosure controls and procedures were effective in ensuring that: (i) information required to be disclosed by the Company in reports that it files or submits to the SEC under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) material information required to be disclosed in the Company's reports filed under the Exchange Act was accumulated and communicated to the Company's management, including the CEO and the CFO, as appropriate, to allow for accurate and timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in National Instrument 52-109 in Canada and in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with generally accepted accounting principles.

The Company's management, including its CEO and CFO, does not expect that its disclosure controls and procedures or internal controls and procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

With the participation of the CEO and CFO, management conducted an evaluation of the design and operation of the Company's internal control over financial reporting as of December 31, 2015, following the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework (2013 Framework).* This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. In connection with the assessment, management identified a material weakness relating to the review control over the impairment of long-lived assets. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness could have resulted in a material misstatement related to the understatement of impairment expense and overstatement of mineral interests in the annual consolidated financial statement as at and for the year ended December 31, 2015. These misstatements were corrected prior to the issuance of the consolidated financial statements and therefore, there were no misstatements in the Company's current or prior period consolidated financial statements. The Company has certified the above in its annual filings with both the U.S. Securities and Exchange Commission on Form 40-F as required by the United States Sarbanes-Oxley Act and with Canadian securities regulatory authorities. In response to the identified material weakness, management is taking specific actions to address the material weakness. The enhancements included the following: (i) the Company had hired an additional resource to assist in its evaluation of the Company's financial reporting; and (ii) the Company has engaged an external search firm to assist in the hiring of a further additional resource to assist in the documentation and review of its internal controls. Remediation will require that changed or new controls operate for a sufficient period of time such that effectiveness of those changes is demonstrated with an appropriate amount of consistency. As the Company implements these plans, management may determine that additional steps may be necessary.

Management's annual report on internal control over financial reporting (the "Report") is included with the Audited Financial Statements which are included in the Annual Report attached as Exhibit 99.2 to this annual report on Form 40-F.

Attestation Report of the Independent Registered Public Accounting Firm

The Company's Independent Registered Public Accounting Firm has issued an attestation report on the Company's internal control over financial reporting as of December 31, 2015 included with the Audited Financial Statements which are included in the Annual Report attached as Exhibit 99.2 to this annual report on Form 40-F.

Changes in Internal Control over Financial Reporting

Other than as disclosed above, during the period covered by this annual report on Form 40-F, no changes occurred in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

REGULATION BTR

The Company was not required by Rule 104 of Regulation BTR to send any notice to its directors and executive officers during the fiscal year ended December 31, 2015 concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

AUDIT COMMITTEE

Identification

The Company has a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee is comprised of three individuals: David E. De Witt (Chair), John P.A. Budreski, and Andrew T. Swarthout. In the opinion of the Company's Board of Directors ("Board"), each of the members of the Audit Committee is financially sophisticated and independent, as such terms are defined by the NYSE MKT listing standards applicable to the Company and as determined under Rule 10A-3 of the Exchange Act.

Audit Committee Financial Experts

The Board has determined that each of John P.A. Budreski, David E. De Witt and Andrew T. Swarthout is an audit committee financial expert under the applicable criteria prescribed by the NYSE MKT and the SEC in the general instructions of Form 40-F.

The SEC has indicated that the designation of a person as an audit committee financial expert does not make such person an "expert" for any purpose, impose on such person any duties, obligations or liability that are greater than those imposed on such person as a member of the Audit Committee and Board in the absence of such designation, or affect the duties, obligations or liability of any other member of the Audit Committee or Board.

Audit Committee Charter

The Company's audit committee charter is attached as an exhibit to the AIF, available for review on the Company's website at *www.sandstormgold.com* and in print without charge to any shareholder that provides the Company with a written request addressed to the Company's Corporate Secretary.

CODE OF ETHICS

The Company's Board has adopted a Code of Conduct and Ethics (the "Code") that applies to all directors, officers and employees of the Company. The Code addresses the items required to be included in a "code of ethics" as set forth in paragraph 9(b) of General Instruction B of Form 40-F, as well as various other topics.

The Code is available on SEDAR at *www.sedar.com*, on the SEC website at *www.sec.gov*, and on the Company's website at *www.sandstormgold.com*. The Company will provide a copy of the Code in print without charge to any shareholder that provides the Company with a written request addressed to the Company's Corporate Secretary.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

Deloitte LLP acted as the Company's Independent Registered Public Accounting Firm for the fiscal year ended December 31, 2015. For a description of the total amount billed to the Company by Deloitte LLP for services performed in the last two financial years by category of service (audit fees, audit related fees, tax fees and all other fees), see "Audit Committee - External Auditor Service Fees" on page 83 of the AIF, which is attached as Exhibit 99.1 to this annual report on Form 40-F and incorporated by reference herein.

For a description of the Company's pre-approval policies and procedures related to the provision of non-audit services, see "Audit Committee - Pre-Approval Policies and Procedures" on page 83 of the AIF, which is attached as Exhibit 99.1 to this annual report on Form 40-F and incorporated by reference herein.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table lists as of December 31, 2015 information with respect to the Company's known contractual obligations:

Contractual Obligations	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
Long-Term Debt Obligations	$ 83,500,000			83,500,000	
Interest Payments[1]	$ 16,463,125	4,703,750	9,407,500	2,351,875	
Operating Lease Obligations	$ 3,319,108	635,152	1,177,021	1,155,369	351,567
Purchase Obligations	$				
Other Long-Term Liabilities	$				
Total	$ 103,282,233	5,338,902	10,584,521	87,007,244	351,567

[1] As the applicable interest rates are floating in nature, the interest charges are estimated based on market-based forward interest rate curves at the end of the reporting period.

The Company is a resource-based Company that acquires gold streams from companies that have advanced stage development projects or operating mines. Gold streams are acquired by entering into gold streaming agreements which provide that in return for making a one-time up-front payment, the Company receives the right to purchase, at a fixed price per unit, a percentage of a mine's production for the life of the mine. Accordingly, the Company's purchase commitments with respect to each gold stream are not based on time periods, such as less than 1 year or 1 to 3 years, but rather continue for the life of the mine. Furthermore, in connection with the Company's various gold streams, certain payments are advanced to companies as their mining projects are advanced. These payments are subject to certain funding conditions and are not based on time periods. For a description of the purchase commitments of the Company, see "Contractual Obligations" and "Note 15 - Contractual Obligations" on pages 26 and 74, respectively, of the Annual Report attached as Exhibit 99.2 to this annual report on Form 40-F and incorporated by reference herein.

MINE SAFETY DISCLOSURE

Not applicable.

CORPORATE GOVERNANCE

As a Canadian corporation listed on NYSE MKT, the Company is not required to comply with most of the NYSE MKT corporate governance standards, so long as it complies with Canadian corporate governance practices. However, pursuant to NYSE MKT rules, the Company must disclose the significant differences between its corporate governance practices and those required to be followed by U.S. domestic issuers under NYSE MKT's corporate governance standards.

NYSE MKT'S quorum requirement provides that a quorum for a shareholder meeting of a NYSE MKT-listed company must be at least 33-1/3% of the issued and outstanding common shares of the company. The Company instead follows applicable Canadian laws with respect to quorum requirements. The Company's articles provide that the quorum requirement for a shareholder meeting shall be one person present or represented by proxy.

The Company reviews its governance practices and monitors developments in Canada and the United States on an ongoing basis to ensure it is in compliance with applicable rules and standards. The board is committed to sound corporate governance practices which are both in the interest of its shareholders and contribute to effective and efficient decision making.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Audited Financial Statements, and MD&A and the AIF, can be found on SEDAR at *www.sedar.com*, on the SEC website at *www.sec.gov* or on the Company's website at *www.sandstormgold.com*. Shareholders may also contact the Company's Corporate Secretary by phone at (604) 689-0234 or by e-mail at info@sandstormLTD.com to request copies of these documents and this annual report on Form 40-F for no charge.

UNDERTAKING

The Company undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the SEC staff, and to furnish promptly, when requested to do so by the SEC staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

CONSENT TO SERVICE OF PROCESS

The Company has previously filed with the SEC a written consent to service of process and power of attorney on Form F-X. Any change to the name or address of the Company's agent for service shall be communicated promptly to the SEC by amendment to the Form F-X referencing the file number of the Company.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Company certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

SANDSTORM GOLD LTD.

By: /s/ Nolan Watson
Name: Nolan Watson
Title: President & Chief Executive Officer

Date: March 30, 2016

EXHIBIT INDEX

Exhibit	Description
99.1	Annual Information Form for the year ended December 31, 2015
99.2	Annual Report for the year ended December 31, 2015, which includes Management's Discussion and Analysis for the fiscal year ended December 31, 2015 and Audited Annual Consolidated Financial Statements for the fiscal year ended December 31, 2015
99.2	Printer Friendly Copy
99.3	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14 of the Securities Exchange Act of 1934
99.4	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.5	Consent of Deloitte LLP, Independent Registered Public Accounting Firm
99.6	Consent of Ramon Mendoza Reyes
99.7	Consent of William Wulftange
99.8	Consent of Keith Laskowski
*99.9	Code of Conduct and Ethics(incorporated herein by reference to Exhibit 99.6 of the Company's Annual Report on Form 40-F for the year ended December 31, 2013 and filed with the SEC on March 11, 2014)

*Not filed herewith, but incorporated herein by reference.

Exhibit 99.1



SANDSTORM GOLD LTD.

ANNUAL INFORMATION FORM
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2015

March 30, 2016

Suite 1400, 400 Burrard Street
Vancouver, B.C. V6C 3A6

SANDSTORM GOLD LTD.
ANNUAL INFORMATION FORM
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2015

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INTRODUCTORY NOTES

Cautionary Note Regarding Forward-Looking Information

This annual information form ("**AIF**") 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 AIF and Sandstorm Gold Ltd. ("**Sandstorm Gold**" or the "**Company**") 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 Gold 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 the Company 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 Gold will purchase gold and other metals or from which it will receive royalty payments and risks related to those mining operations, including risks related to international operations, government and environmental regulation, delays in mine construction and operations, actual results of mining and current exploration activities, conclusions of economic evaluations and changes in project parameters as plans continue to be refined; problems inherent to the marketability of gold and other metals; industry conditions, including fluctuations in the price of the primary commodities mined at such operations, fluctuations in foreign exchange rates and fluctuations in interest rates; government entities interpreting existing tax legislation or enacting new tax legislation in a way which adversely affects Sandstorm Gold; stock market volatility; competition; as well as those factors discussed in the section entitled "Risk Factors" herein.

Forward-looking information in this AIF includes, among other things, disclosure regarding: Sandstorm Gold's existing 132 Gold Streams (as defined below) and royalties, of which 19 of the underlying mines are producing, as well as its future outlook and the mineral reserve and mineral resource estimates for the Santa Elena Mine (as defined below), Chapada Mine (as defined below) and the Diavik Mine (as defined below), and production and cost estimates. 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 Gold will purchase gold and other metals or from which it will receive royalty payments, no material adverse change in the market price of commodities that the mining operations will operate in accordance with their public statements and achieve their stated production outcomes, and such other assumptions and factors as set out therein.

Although Sandstorm Gold 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 future actions and events and actual results could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information.

Currency Presentation

All dollar amounts referenced, unless otherwise indicated, are expressed in United States dollars.

Commodity Price Information

Gold Prices

The high, low, average and closing afternoon fixing gold prices in United States dollars per troy ounce for each of the three years in the period ended December 31, 2015, as quoted by the London Bullion Market Association, were as follows:

	Year Ended December 31		
	2015	**2014**	**2013**
High	$1,298	$1,385	$1,694
Low	$1,049	$1,142	$1,192
Average	$1,160	$1,266	$1,411
Closing	$1,060	$1,206	$1,205

On March 29, 2016, the closing afternoon fixing gold price in United States dollars per troy ounce, as quoted on the London Bullion Market Association, was $1,226.00.

Silver Prices

The high, low, average and closing afternoon fixing silver prices in United States dollars per troy ounce for each of the three years in the period ended December 31, 2015, as quoted by the London Bullion Market Association, were as follows:

	Year Ended December 31		
	2015	**2014**	**2013**
High	$18.23	$22.05	$32.23
Low	$13.71	$15.28	$18.61
Average	$15.68	$19.08	$23.79
Closing	$13.82	$15.97	$19.50

On March 29, 2016, the closing afternoon fixing silver price in United States dollars per troy ounce, as quoted on the London Bullion Market Association, was $15.06.

Copper Prices

The high, low, average and closing official cash settlement copper prices in United States dollars per pound for each of the three years in the period ended December 31, 2015, as quoted by the London Metal Exchange, were as follows:

	Year Ended December 31		
	2015	**2014**	**2013**
High	$2.93	$3.38	$3.74
Low	$2.04	$2.86	$3.01
Average	$2.49	$3.11	$3.32
Closing	$2.13	$2.88	$3.35

On March 24, 2016, the official cash settlement copper price in United States dollars per pound, as quoted on the London Metal Exchange, was $2.24.

CORPORATE STRUCTURE

The Company was incorporated under the *Business Corporations Act* (British Columbia) on March 23, 2007. The Company changed its name from "Sandstorm Resources Ltd." to "Sandstorm Gold Ltd." on February 17, 2011. Effective June 19, 2015, Sandstorm Gold Ltd. amalgamated, by way of vertical short-form amalgamation under the *Business Corporations Act* (British Columbia), with one of its wholly-owned subsidiaries, Premier Royalty Inc. ("**Premier Royalty**"). Sandstorm Gold Ltd. is the continuing entity as a result of the amalgamation.

The Company's head, registered, and records office are located at Suite 1400, 400 Burrard Street, Vancouver, British Columbia, V6C 3A6.

The Company has three principal wholly-owned subsidiaries, Sandstorm Gold Bank Limited, incorporated under the laws of Barbados, Sandstorm Gold (Canada) Ltd., incorporated under the laws of the Province of British Columbia and Sandstorm Metals & Energy Ltd. ("**Sandstorm Metals**"), incorporated under the laws of the Province of British Columbia.

GENERAL DEVELOPMENT OF THE BUSINESS

Public Offerings

On September 1, 2015, the Company filed a short form base shelf prospectus (the " **Base Shelf Prospectus**") in Canada and the United States which allows the Company to offer for sale and issue from time to time common shares of the Company ("**Common Shares**"), warrants to purchase Common Shares, subscription receipts and units, or any combination thereof, having a total aggregate offering price for such securities, of up to $150,000,000 (or the equivalent thereof in other currencies) during the 25-month period that the Base Shelf Prospectus, including any amendments thereto, remains effective.

On November 3, 2015, the Company completed a bought deal financing with a syndicate of underwriters for 10,087,800 units of the Company at a price of $2.85 per unit ("**Units**") for gross proceeds of approximately $28.8 million (the " **November 2015 Offering** "). Each Unit was comprised of one Common Share and one-half of one common share purchase warrant, where each full warrant entitles the holder to purchase one Common Share at a price of $4.00 until November 3, 2020. The Units were sold pursuant to an underwriting agreement between the Company and a syndicate of investment dealers co-led by National Bank Financial Inc. and BMO Nesbitt Burns Inc. The Units issued under the November 2015 Offering were offered by way of an amended and restated prospectus supplement (dated October 27, 2015) to the Base Shelf Prospectus in all of the Provinces of Canada, other than Québec, and in the United States as part of an effective registration statement. The net proceeds from the November 2015 Offering were primarily used to reduce the balance of the Company's revolving credit facility, which facility was used in funding the acquisition of productions streams from up to five projects from Yamana (as defined below), and for working capital purposes.

Credit Facility

On January 12, 2012, the Company entered into a revolving credit agreement with The Bank of Nova Scotia, which allowed the Company to borrow up to $50.0 million (the "**Revolving Loan**"). The Revolving Loan had a term of three years, which was extendable by mutual consent of The Bank of Nova Scotia and the Company. On February 7, 2013 (as amended July 17, 2014, July 13, 2015 and October 26, 2015), the Company entered into an amended and restated credit agreement (the "**Amended and Restated Credit Agreement**") and amended the Revolving Loan to increase the amount which the Company is permitted to borrow thereunder to up to $110.0 million (the "**Amended Revolving Loan**"). The term of the Amended Revolving Loan expires July 17, 2019, which is extendable by mutual consent of The Bank of Nova Scotia, Bank of Montreal, National Bank of Canada, Canadian Imperial Bank of Commerce and the Company. The Amended Revolving Loan will continue to be used for the acquisition of Gold Streams. The amounts drawn on the Amended Revolving Loan are subject to interest at LIBOR plus 3.00% to 4.25% per annum, and the undrawn portion of the Amended Revolving Loan is subject to a standby fee of 0.75%-1.05% per annum, dependent on the Company's leverage ratio. At December 31, 2015, the Company had drawn down $83.5 million on the Amended Revolving Loan and $26.5 million was available.

Normal Course Issuer Bid

On December 17, 2014, the Company commenced a Normal Course Issuer Bid (" **NCIB**") in accordance with Toronto Stock Exchange ("**TSX**") rules and Canadian securities laws. Under the NCIB, the Company was entitled to purchase up to 5,882,879 Common Shares, representing 5% of the Company's issued and outstanding Common Shares as of December 11, 2014. The NCIB terminated on December 16, 2015. All purchases under the NCIB were executed on the open market through the facilities of the TSX or alternative Canadian trading platforms and were made at the market price of the Common Shares at the time of acquisition. These purchases were funded by the Company's working capital and all Common Shares acquired by the Company under the NCIB were cancelled. The NCIB provided the Company with the option to purchase its Common Shares from time to time when the Company's management believed that the Common Shares were undervalued by the market. Pursuant to the NCIB, the Company purchased a total of 518,123 Common Shares for an aggregate purchase price of $1,708,165 during 2015 and these 518,123 Common Shares were all returned to treasury for cancellation.

Mineral Interests

Aurizona Gold Stream

On May 15, 2009, the Company entered into an agreement (the " **Aurizona Gold Stream**") with Luna Gold Corp. (" **Luna**") to purchase 17% of the life of mine gold produced from Luna's Aurizona mine, located in Brazil (the "**Aurizona Mine**"), for $17.8 million and 5,500,000 Common Shares as an upfront payment, plus ongoing per ounce payments equal to the lesser of $400 (subject to a 1% annual inflationary adjustment beginning on February 9, 2014) and the then prevailing market price per ounce of gold.

In August 2014, the Company purchased 19.5 million common shares of Luna (" **2014 Placement Shares**"), at a price of C$1.02 per 2014 Placement Share, for proceeds to Luna of C$19,890,000. Upon completion of this acquisition, the 2014 Placement Shares held by the Company represented approximately 19.82% of Luna's issued and outstanding common shares. The 2014 Placement Share purchase agreement entered into by the Company provides that, as long as the Company owns greater than 15% of Luna's issued and outstanding common shares, the Company has the right to maintain its ownership percentage in Luna through future private placements or public offerings conducted by Luna.

In May 2015, the Comany restructured the Aurizona Gold Stream and amended the terms of the Company's outstanding loan to Luna (the "**Loan**"). Under the terms of the restructuring, which closed on June 30, 2015, the Aurizona Gold Stream was terminated (effective September 30, 2015) and replaced by two net smelter return ("**NSR**") royalties (the "**Aurizona Project NSR**" and the "**Greenfields NSR**") and a convertible debenture. The Aurizona Project NSR is a sliding scale royalty based on the price of gold as follows: 3% if the price of gold is less than or equal to $1,500 per ounce; 4% if the price of gold is between $1,500 per ounce and $2,000 per ounce; and 5% if the price of gold is greater than $2,000 per ounce. The Greenfields NSR covers approximately 190,000 – 220,000 hectares of exploration ground held by Luna and is a 2% net smelter return royalty. Luna has the right to purchase one-half of the Greenfields NSR for $10 million at any time prior to commercial production. The Company holds a right of first refusal on any future streams or royalties on the Aurizona project and Greenfields. The debenture is a $30 million debenture bearing interest at a rate of 5% per annum (the "**Debenture**"). The Debenture is payable in three equal annual tranches of $10 million plus accrued interest beginning June 30, 2018. Luna has the right to convert principal and interest owing under the Debenture into common shares of Luna, up to a number of common shares held by the Corporation which is below 20% of the outstanding common shares of Luna. The quantum of Luna shares upon conversion will be dependent upon a 20 day volume weighted average price ("**VWAP**") and, if the VWAP is less than C$0.10 per Luna share, the Luna shares will be deemed to have been issued at C$0.10 per share. Additionally, the maturity date of the outstanding Loan in the amount of $23,730,306 was extended from June 30, 2017 to June 30, 2021, the interest rate was revised to 5% per annum, payable in cash on the maturity date, and Luna is subject to a default rate of interest equal to 10% per annum.

On June 30, 2015, Luna completed a private placement equity financing of 100 million units (" **Luna Units**") with Pacific Road Resources Fund II for C$10 million and a C$20 million senior secured note which, upon closing, resulted in Luna receiving gross proceeds of C$30 million (the "**2015 Financing**"). Each Luna Unit is comprised of one common share and one Class A common share purchase warrant. Each Class A common share purchase warrant is exercisable at a price of C$0.125 per Luna common share and is exercisable for a term of five years. The Company also participated in the 2015 Financing by subscribing for 24.7 million Luna Units for a purchase price of C$2.47 million. The Luna common shares currently held by the Company represent approximately 18.5% of Luna's issued and outstanding common shares.

With a re-structured Gold Stream with the Company and a recapitalized balance sheet, Luna announced on June 30, 2015 that it would be in a position to undertake a work program which will have the ultimate goal of restarting operations at the Aurizona Mine. The proposed 18-month work program will involve significant infill drilling, updating of the geological model, calculating a new resource estimate, formulating a new, optimized mine plan, producing an updated prefeasibility study incorporating an upgraded crush and grind circuit and continuing the on-going licensing and permitting process to ultimately secure all the needed permits to restart the Aurizona Mine.

The Aurizona Mine is located in Maranhão State in northern Brazil and is an orogenic gold deposit hosted in a greenstone belt of the São Luis Craton. There are a number of mineralized bodies on the Aurizona property, but work to date has focused on the Piaba and Tatajuba deposits on which the current resource is based. The Aurizona Mine was an active open-pit operation from 2011 to 2015, producing over 275,000 ounces of gold from a gravity and carbon-in-leach plant.

Santa Elena Gold Stream

On May 15, 2009, the Company entered into an agreement (the " **Santa Elena Gold Stream**") with SilverCrest Mines Inc. (" **SilverCrest**") to purchase 20% of the life of mine gold produced from SilverCrest's Santa Elena mine, located in Mexico (the "**Santa Elena Mine**"), for $12.0 million and 3,500,000 Common Shares as an upfront payment, plus ongoing per ounce payments equal to the lesser of $350 (subject to a 1% annual inflationary adjustment beginning on July 13, 2014) and the then prevailing market price per ounce of gold. SilverCrest was also developing an underground mine on the Santa Elena property (the "**Santa Elena Underground Mine**") and the Company had the right to purchase 20% of the gold from the underground mine at a per ounce price equal to the lesser of $450 (subject to an Inflationary Adjustment) and the then prevailing market price per ounce of gold. In February 2014, Sandstorm Gold elected to exercise its right to purchase gold from the Santa Elena Underground Mine. For consideration, the Company made a $10.0 million payment to SilverCrest and will continue to make per ounce payments equal to $350 until 50,000 ounces of gold have been delivered to the Company (inclusive of the ounces already received from the open-pit production), at which time the ongoing per ounce payments will increase to $450.

NOTE: Effective October 1, 2015, First Majestic Silver Corp. (TSX:FR; NYSE:AG) (" **First Majestic**") acquired all of the issued and outstanding shares of SilverCrest by way of plan of arrangement under the *Business Corporations Act* (British Columbia) and the Company's rights under the Santa Elena Gold Stream remain intact.

The Santa Elena Mine was successfully transitioned from an open pit heap leach operation to an underground mining and milling operation and commercial production for the 3,000 tonne per day processing plan was declared in 2014. For further details regarding the Santa Elena Mine, see "Technical Information – Santa Elena Mine, Mexico" below.

Ming Gold Stream

On March 4, 2010, the Company entered into an agreement (as amended) (the "**Ming Gold Stream**") to purchase approximately 25% of the first 175,000 ounces of gold produced, and 12% of the gold produced thereafter, from Rambler Metals & Mining plc's ("**Rambler**") Ming mine, located on the Baie Verte Peninsula in Newfoundland, Canada (the "**Ming Mine**"). For consideration, the Company paid $7.0 million in 2010 and $13.0 million in 2011 for a total of $20.0 million in upfront payments. There are no ongoing per ounce payments required by the Company in respect of the Ming Gold Stream. In the event that the metallurgical recoveries of gold at the Ming Mine are below 85%, the percentage of gold that the Company is entitled to purchase will be increased proportionately. Based upon 2014 metallurgical recoveries at the Ming Mine, the Company's 2015 gold purchase entitlement was adjusted to 31%.

The Ming Mine is a past producing underground massive sulphide copper-gold mine. Production initially began in late 2011 and Rambler is currently producing a copper concentrate. In September 2015, Rambler released a favourable pre-feasibility study which identifies the potential for an expansion of the Ming Mine into its Lower Footwall Zone.

Black Fox Gold Stream

On November 9, 2010, the Company entered into an agreement (the "**Black Fox Gold Stream**") with Brigus to purchase 12% of the life of mine gold produced from Brigus Gold Corp.'s ("**Brigus**") Black Fox mine, located in Ontario, Canada (the "**Black Fox Mine**"), for $56.3 million in upfront payments plus ongoing per ounce payments equal to the lesser of $500 (subject to an inflationary adjustment beginning in 2013, not to exceed 2% per annum – the per ounce payments are currently $524) and the then prevailing market price per ounce of gold. Brigus had the option (the "**Repurchase Option**"), until January 1, 2013, to repurchase 50% of the gold to be purchased under the Black Fox Gold Stream by making a $36.6 million payment to the Company. In November 2012, Brigus partially exercised the Repurchase Option and paid the Company $24,396,668 which reduced the percentage of gold to be purchased by the Company from the Black Fox Mine to 8%. The Company also had the right to purchase, by remitting the per ounce payments (described above), 10% of the gold produced from an area defined under the Black Fox Gold Stream as the "**Black Fox Extension**", covering a portion of Brigus' Pike River property. As a result of the partial exercise of the Repurchase Option by Brigus, the Company's right to purchase 10% of the gold produced from the Black Fox Extension has been reduced to 6.3%. The Black Fox Mine began operating as an open pit mine and, in 2010, development of an underground mine began.

NOTE: Effective March 5, 2014, Primero Mining Corp. (TSX:P; NYSE:PPP) acquired all of the issued and outstanding shares of Brigus by way of plan of arrangement under the *Canada Business Corporations Act* and the Company's rights under the Black Fox Gold Stream remain intact.

Bachelor Lake Gold Stream

On January 17, 2011, the Company entered into an agreement (the "**Bachelor Lake Gold Stream**") with Metanor Resources Inc. ("**Metanor**") (to purchase 20% of the life of mine gold produced from Metanor's Bachelor Lake Gold project located outside of Val d'Or, Quebec (the "**Bachelor Lake Mine**"), for an upfront payment of $20.0 million plus ongoing per ounce payments equal to the lesser of $500 and the then prevailing market price per ounce of gold. Metanor provided a guarantee that the Company will receive a minimum of $1.0 million in pre-tax cash flow in 2012 (which has been met); $5.5 million in pre-tax cash flow in 2013 (which has been met), 2014 (which has been met), and 2015 (which has been met); and $2.5 million in pre-tax cash flow in 2016. The Bachelor Lake Mine is a long hole mining operation with an operating mill and surface infrastructure, which began production in early 2013.

Entrée Metal Credits Agreement

On February 14, 2013 (as amended February 23, 2016), the Company entered into a funding agreement (the " **Entrée Metal Credits Agreement**") with Entrée Gold Inc. ("**Entrée**") to purchase, for a period of 50 years (which may be extended), metal credits equal to:

(a) 5.619% of the gold, 5.619% of the silver and 0.415% of the copper produced from the Hugo North Extension deposit (Lower Level);

(b) 8.425% of the gold, 8.425% of the silver and 0.623% of the copper produced from the Hugo North Extension deposit (Upper Level);

(c) 4.258% of the gold, 4.258% of the silver and 0.415% of the copper produced from the Heruga Deposit (Lower Level); and

(d) 6.391% of the gold, 6.391% of the silver and 0.623% of the copper produced from the Heruga Deposit (Upper Level);

(all of which are subject to adjustment upon the occurrence of certain stated events). The above-mentioned deposits are all located in the South Gobi desert of Mongolia and form part of the Oyu Tolgoi mining complex (the lower and upper levels of the Hugo North Extension and the lower and upper levels of the Heruga Deposit collectively referred to herein as the "**Entrée JV Project**").

The amendment entered into on February 23, 2016 reduced the Company's metal credits interests by 17% from the original numbers, for which the Company initially paid $40.0 million in 2013. The metal credits figures set out above are the reduced figures. In exchange for the 17% reduction, Entrée paid the Company $5.5 million in cash and issued 5,128,604 of its common shares to the Company (having an aggregate value of $1.3 million). The Company will make ongoing payments equal to the lesser of the prevailing market price and $220 per ounce for the gold, $5 per ounce for the silver and $0.50 per pound for the copper, until approximately 8.6 million ounces of gold, 40.3 million ounces of silver and 9.1 billion pounds of copper have been produced from the Entrée JV Project (the "**Initial Fixed Prices**"). Thereafter, the ongoing payments will increase to the lesser of the prevailing market price and $500 per ounce for the gold, $10 per ounce for the silver and $1.10 per pound for the copper (the "**Subsequent Fixed Prices**"). The Initial Fixed Prices are all subject to a 1% annual inflationary adjustment beginning on the fourth anniversary of the date upon which the Company commences receiving payable gold, silver and copper. Concurrently, the Company entered into a similar back-to-back agreement with Sandstorm Metals whereby Sandstorm Metals purchased the copper portion of the Entrée Metal Credits Agreement (the "**Copper Agreement**") from the Company in exchange for issuing $5.0 million in common shares of Sandstorm Metals to the Company. Upon receiving acceptance from the TSX Venture Exchange (the "**TSXV**"), Sandstorm Metals issued 1,113,333 (post-consolidation) common shares to the Company at a post-consolidation price of C$4.50 per share. As a result of the SND Acquisition, Sandstorm Metals' interest in the Entrée JV Project under the Copper Agreement has been added to the Company's asset portfolio (see below under "*Acquisition of 100% Interest in Sandstorm Metals*"). The Company is not required to contribute any further capital, exploration or operating expenditures to Entrée.

In March 2013, the Company purchased 17,857,142 common shares of Entrée (the " **Entrée Shares**") at a price of C$0.56 per Entrée Share, for gross proceeds to Entrée of C$10.0 million (the "**Private Placement**"). Following completion of the Private Placement and before taking into account any exercise by Rio Tinto International Holding Limited of its pre-emptive rights (which, to date, have not been exercised by Rio Tinto), the Company owned approximately 12% of the issued and outstanding common shares of Entrée. Following the issuance to the Company of the additional 5,128,604 Entrée shares in March 2016, the Company now owns approximately 15.07% of the issued and outstanding common shares of Entrée.

The Hugo North Extension is a rich porphyry copper-gold deposit and the Heruga Deposit is a copper-gold-molybdenum porphyry deposit. Both are located in the South Gobi desert of Mongolia, approximately 570 kilometres south of the capital city of Ulaanbaatar and 80 kilometres north of the border with China. The Hugo North Extension and the Heruga Deposit are part of the Oyu Tolgoi mining complex and are being developed by Oyu Tolgoi LLC and the Government of Mongolia, and its project manager Rio Tinto plc ("**Rio Tinto**"). Entrée retains a 20% interest in the resources of the Hugo North Extension and Heruga deposits.

Partnership with Franco-Nevada on the Karma Project, West Africa

On August 11, 2014, the Company partnered with Franco-Nevada Corporation (" **Franco-Nevada**") (TSX/NYSE:FNV) by entering into a $120.0 million gold stream agreement (the "**True Gold Stream**") with True Gold Mining Inc. (" **True Gold**") (TSXV:TGM) with respect to its Karma Project located in Burkina Faso, West Africa ("**Karma Project**"). In exchange for an initial $100.0 million in funding, True Gold is obligated to deliver 100,000 ounces of gold over five years (commencing March 31, 2016) (the "**Delivery Period**"). Thereafter, True Gold will deliver an amount of refined gold equal to 6.5% of the equivalent production at the Karma Project for the life of the mine (the "**Additional Period**"). In addition, the Company and Franco-Nevada have provided True Gold with an 18 month option to increase funding by up to $20.0 million (the "**Increase Option**") in exchange for eight quarterly deliveries totaling up to 30,000 ounces of gold, based on the pro-rata portion of the amount drawn thereunder, commencing 18 months from when the first tranche under the Increase Option is taken down.

The True Gold Stream is being syndicated between Franco-Nevada and the Company (the " **Syndicate**"), with Franco-Nevada providing 75% of the funding and the Company providing the remaining 25% of the funding. The Company's 25% syndicate position will result in True Gold delivering 5,000 ounces of gold to the Company each year during the Delivery Period, for a total of 25,000 ounces of gold. During the Additional Period, the Company's share will be 1.625% of the gold produced at the Karma Project. During each of the Delivery Period and the Additional Period, for each ounce of gold delivered, the Syndicate will make per ounce payments to True Gold equal to 20% of the market spot price for gold. As of the date of this AIF, the Company has fully funded the initial $25.0 million which it committed to True Gold and has also advanced $1.25 million under the Increase Option.

The True Gold Stream covers all of the concessions within the 856 square-kilometre Karma Project and also includes a defined area of interest of 5 kilometres surrounding its borders. The Karma Project is expected to be an open-pit heap leach operation and is located in north-central Burkina Faso, near the city of Ouahigouya, approximately 185 kilometres north-west of Ougadougou, the capital city of Burkina Faso. True Gold has obtained the necessary construction and mining permits. The Karma Project is anticipated to produce an average of 97,000 ounces of gold over 8.5 years.

In February 2016, True Gold reported that construction at the Karma Project is approximately 94% complete with commissioning activities underway. Over 500,000 tonnes of stockpiled ore are providing the initial feed to the fully commissioned soft rock crusher, agglomeration and stacking circuit. The agglomerated ore is currently being stacked on the leach pad. Other highlights related to True Gold's progress at the Karma Project are listed below:

- piping and solution collection systems for leach pad cells 1 to 3 have been completed;
- construction of the three process solution ponds (pregnant, intermediate, and barren) is complete;
- the ADR plant is nearing completion with the final installation of piping, electrical and instrumentation remaining; and
- Phase I of the grade control drilling program for the Goulagou II pit has been successfully completed and the results are consistent with the anticipated tonnage and grade for the volume drilled.

Diavik Mine Royalty

On March 23, 2015, the Company acquired a 1% gross proceeds royalty (" **Diavik Royalty**") over property in Lac de Gras in the Northwest Territories, Canada, including property constituting the Diavik diamond mine ("**Diavik Mine**"). Sandstorm Gold acquired the Diavik Royalty from IAMGOLD Corporation (the previous owner of the Diavik Royalty) for $52.5 million in cash and three million warrants of the Company (the "**Diavik Warrants**"). The Diavik Warrants have a five year term expiring March 23, 2020, a strike price of $4.50 per Common Share and will be exercisable following initial production from the Diavik Mine's A21 pipe.

The Diavik Mine is owned by the Diavik Joint Venture (" **Diavik Joint Venture**"), which is an unincorporated joint arrangement between Diavik Diamond Mines (2012) Inc. ("**DDMI**") and Dominion Diamond Diavik Limited Partnership (" **DDDLP**"), where DDDLP holds an undivided 40% ownership in the assets, liabilities and expenses of the Diavik Mine and DDMI holds 60%. DDMI is the operator of the Diavik Mine and is a wholly owned subsidiary of Rio Tinto of London, England. DDDLP is a wholly-owned subsidiary of Dominion Diamond Corporation ("**Dominion**").

The Diavik Mine is Canada's largest diamond mine, located on a 20 square kilometre island at Lac de Gras, Northwest Territories, approximately 300 kilometres from Yellowknife. The Diavik Mine began producing diamonds in January 2003, and has since produced more than 90 million carats from three kimberlite pipes (A154 South, A154 North, and A418). Rio Tinto has approved the development of open pit mining from a fourth pipe (A21), which is targeted for production in 2018.

For further details regarding the Diavik Mine, see "Technical Information – Diavik Mine, Canada" below.

Multi-Asset Stream with Yamana Gold Inc.

On October 27, 2015, the Company entered into three agreements with Yamana Gold Inc. (" **Yamana**") that include production streams from up to five of Yamana's projects (the "**Yamana Transaction**"). For upfront consideration of $148 million in cash, $4 million in cash payable in six months, and 15 million warrants of the Company (the "**Yamana Warrants**"), the Company received a silver stream (the "**Silver Stream**") pursuant to a silver purchase agreement dated October 27, 2015 (the "**Silver Purchase Agreement**") on the Cerro Moro development project in Argentina (the "**Cerro Moro Project**") that includes interim silver deliveries during years 2016 to 2018 from currently operating mines, and a copper stream (the "**Copper Stream**") on the operating Chapada mine in Brazil (the "**Chapada Mine**") pursuant to a copper purchase agreement dated October 27, 2015 (the "**Copper Purchase Agreement**") and a potential gold stream on the Agua Rica project in Argentina (the " **Agua Rica Project**"), at the Corporation's sole option (the "**Early Deposit Gold Stream** "). The Yamana Warrants have an exercise price of $3.50, a term of five years expiring on October 27, 2020 and are exercisable upon achievement of specific milestones with respect to the construction of the Cerro Moro Project. The Yamana Transaction provides the Company with asset diversification through the Silver Stream which includes production from the Chapada Mine, the Cerro Moro Project, and the Minera Florida mine in Chile (the "**Minera Florida Mine**"), as well as the Copper Stream, and the Early Deposit Gold Stream. In addition, the projects underlying the Yamana Transaction are low cost, economically robust assets with significant exploration upside.

In February 2016, the Company received its first silver and copper payment from Yamana. The Company expects to receive approximately 300,000 silver ounces from the silver streams in 2016.

The Silver Stream

In exchange for $70 million, pursuant to the Silver Stream, the Company agreed to purchase an amount of silver from the Cerro Moro Project equal to 20% of the silver produced, up to a maximum of 1.2 million ounces of silver annually, until Yamana has delivered 7.0 million ounces of silver to the Company; then 9% of the silver produced thereafter, for the life of the mine. The Company has also agreed, pursuant to the Silver Stream, to purchase an amount of silver from the Minera Florida Mine and the Chapada Mine on an interim basis during the years 2016 through 2018, equal to: 38% of the silver produced, up to a maximum of 200,000 ounces of silver annually from the Minera Florida Mine; and 52% of the silver produced, up to a maximum of 100,000 ounces of silver annually from the Chapada Mine. The Company agreed to make ongoing payments for each ounce of silver received under the Silver Stream equal to 30% of the spot price per ounce of silver. If by January 1, 2019, the Cerro Moro Project has not averaged 80% of its daily nameplate production capacity over a 30-day period (the "**Commencement of Production**"), then the El Peñon mine in Chile (the " **El Peñon Mine**") will provide a 24-month backstop until the Commencement of Production is satisfied. During the 24-month backstop, if applicable, the Company will purchase an amount of silver equal to 16% of the El Peñon Mine's silver production up to a maximum of 1.2 million ounces per annum, which is expected to generate $12 million of cash flow per year to the Company. If the Cerro Moro Project has not achieved the Commencement of Production and the Company has not received cumulative pre-tax cash flow equal to $70 million from the Silver Stream, then the First Chapada Delivery Threshold and the Second Chapada Delivery Threshold (each as defined below) will cease to be in effect and the Company will continue to purchase 4.2% of the Chapada Mine's payable copper production, up to a maximum of 3.9 million pounds of copper annually, until such time as the Company has received cumulative pre-tax cash flow equal to $70 million, or the Cerro Moro Project has achieved the Commencement of Production.

The Cerro Moro Project is located approximately 70 kilometres southwest of the coastal port city of Puerto Deseado in the Santa Cruz province of Argentina. The Cerro Moro Project contains a number of high grade epithermal gold and silver deposits, some of which will be mined via open pit and some via underground mining methods. In February 2015, Yamana announced that it would proceed with the construction of the Cerro Moro Project. The current plan indicates average annual production in the first three years of 135,000 ounces of gold and 6.7 million ounces of silver, with the life of mine annual production averaging approximately 102,000 ounces of gold and five million ounces of silver at a throughput of 1,000 tonnes per day. The concentrator will consist of a standard crushing, grinding and flotation circuit with a counter current decantation and a Merrill Crowe circuit included. The Company has been informed by the operator that the procurement of long lead items is underway and the Cerro Moro Project is on track for construction to begin in early 2016, commencing with select bulk earthworks activities. Project capital costs as estimated in the first quarter of 2015, are approximately $265 million, which includes $31 million in late 2015 for detailed engineering and pre-development.

The Copper Stream

In exchange for $70 million, pursuant to the Copper Stream, the Company has agreed to purchase an amount of copper from the Chapada Mine equal to: 4.2% of the copper produced, up to a maximum of 3.9 million pounds of copper annually, until Yamana has delivered 39 million pounds of copper to the Corporation (the "**First Chapada Delivery Threshold**"); then 3.0% of the copper produced until, on a cumulative basis, Yamana has delivered 50 million pounds of copper to the Company (the "**Second Chapada Delivery Threshold**"); then 1.5% of the copper produced thereafter, for the life of the mine. The Company agreed to make ongoing payments for each pound of copper received under the Copper Stream equal to 30% of the spot price per pound of copper. The Company has been provided with subsidiary and parent guarantees with respect to the obligations under the Copper Stream.

For details regarding the Chapada Mine, please see "Technical Information – Chapada Mine, Brazil" below.

The Early Deposit Gold Stream

In exchange for $12 million, $4 million of which is payable on April 26, 2016 (the " **Advance Payment**"), the Company has entered into an Early Deposit Gold Stream agreement on the Agua Rica Project, a copper-molybdenum-gold porphyry deposit. At the time when 25% of the construction of the Agua Rica Project has been completed, the Company may elect to make an additional advance payment equal to between $135 million and $225 million based on the following formula: $150,000 multiplied by the price of gold plus $7.5 million (the "**Additional Advance Payment**"). If the Company elects to pay the Additional Advance Payment, the Company will have the right to purchase an amount of gold equal to 20% of the life of mine gold produced from the Agua Rica Project. The Company would make ongoing payments for each ounce of gold received, equal to 30% of the spot price per ounce of gold. If the Company elects not to pay the Additional Advance Payment, the Advance Payment will convert into a 0.25% net smelter returns royalty on the Agua Rica Project and all other rights under the Early Deposit Gold Stream agreement will terminate. In addition, in the event that the Company wishes to syndicate the Early Deposit Gold Stream to a third party, it has the right to transfer any and all of its rights and obligations, under certain conditions.

The Agua Rica Project is a large scale porphyry copper, molybdenum, gold and silver deposit located in the province of Catamarca, Argentina. In March 2015, Yamana signed a definitive agreement (the "**Definitive Agreement**") with the provincial Government of Catamarca, Argentina, represented by the provincial mining company Catamarca Mineria y Energetica Sociedad del Estado ("**CAMYEN**"). The Definitive Agreement advances the memorandum of understanding between CAMYEN and Yamana, which set the groundwork for cooperation to consolidate important mining projects and prospective properties in the province, creating the Catamarca mining district.

Royalty Package from Teck Resources Limited

On January 19, 2016, the Company agreed to acquire 56 royalties (the "**Teck Royalty Package**") from Teck Resources Limited and its affiliates (collectively, "**Teck**") for total consideration of $22 million, payable in $1.4 million in cash and $20.6 million in Common Shares of the Company (the "**Acquisition Shares**") (the "**Teck Transaction**"). As consideration for the Teck Royalty Package, the Company issued a total of 8,762,222 Common Shares priced at a deemed price of C$3.57 per Common Share. Certain royalties in the Teck Royalty Package are subject to rights of first offer and first refusal as well as the requirement for various transfer consents and as a result, the Teck Transaction will have a number of closing dates, with January 19, 2016 being the first such closing date. A portion of the Acquisition Shares are being held in escrow to be released on the subsequent closing dates.

As of the date of this AIF, 36 of the royalties have been transferred to the Company, including the 2.0% NSR royalty on the Hot Maden (as defined below) project referenced below. The remaining royalties are subject to various transfer consents and are expected to close before the end of April 2016. It is expected that Centerra Gold Inc. will exercise the right of first refusal option on the Öksüt royalty, reducing the Company's purchase price for the Teck Royalty Package from $22 million to $19 million.

The Teck Royalty Package currently consists of assets in North America (33), Asia (10), South America (9) and Europe (3) and includes producing assets (4), development-stage projects (8), advanced exploration-stage projects (8) and exploration-stage properties (35). Royalty counterparties include Barrick Gold Corporation, Glencore plc ("**Glencore**"), KGHM Polska Miedz SA, Newmont Mining Corporation (" **Newmont**"), Kinross Gold Corporation ("**Kinross**"), New Gold Inc. and Imperial Metals Corporation. The Teck Royalty Package includes the following key assets:

- 2.0% NSR royalty on the high-grade, exploration-stage Hot Maden project (" **Hot Maden**") located in Turkey, owned by Mariana Resources Ltd. ("**Mariana**"). Lidya Madencilik Sanayi ve Ticaret A.S. has an option to earn-in up to 70% in Hot Maden from Mariana;
- 2.0% NSR royalty on the development-stage Hackett River project (" **Hackett River**") in Nunavut, Canada owned by Glencore (the 2.0% NSR royalty covers 7,141 hectares of the Hackett River property, including the licenses where the mineral resources have been defined);
- 1.75% NSR royalty, on 60% of production subject to a $40 million cap, on the development-stage Lobo-Marte project (" **Lobo-Marte**") in Chile owned by Kinross;
- 2.0% NSR royalty on the development-stage Burhaniye project in Turkey owned by Tumad Madencilik Sanayi ve Ticaret A.S. The Burhaniye royalty begins paying after 300,000 ounces have been produced;

- 5.0% NSR sliding scale royalty on copper, and a 2.5% NSR royalty on all other metals produced, on a portion of the producing Copper Mountain project in British Columbia, Canada owned by Copper Mountain Mining Corporation ("**Copper Mountain**"); and

- $10/ounce production royalty, subject to a maximum ounce cap (600,000 ounces from Ağı Dağı and 250,000 from Kirazli), on the development-stage Ağı Dağı/Kirazli projects in Turkey owned by Alamos Gold Inc. and payable by Newmont.

About Hot Maden

The Hot Maden gold-copper project is located approximately 20 kilometres southeast of Artvin and 130 kilometres northeast of Erzurum in north-eastern Turkey. High grade gold-copper mineralisation was first intersected at Hot Maden during Mariana's Phase I diamond drill program, which was completed in January 2015. In February 2016, Mariana reported continuing high grade, near-surface gold-copper mineralization from drilling at Hot Maden. The resource extension drilling at Hot Maden is ongoing and is expected to be accelerated with the addition of a second drill rig. There is also systematic metallurgical test work underway to evaluate crushing and grinding methods and the resulting gold-copper recoveries. Mariana reported that completion of a maiden Preliminary Economic Assessment for Hot Maden remains on track for completion in the late third quarter/early fourth quarter of 2016.

About Hackett River

The Hackett River property is located in Nunavut, Canada, approximately 480 kilometres northeast of Yellowknife and 105 kilometres south-southwest of the community of Bathurst Inlet, which is located on the Arctic Ocean. Hackett River is a silver-rich volcanogenic massive sulphide project. The property is made up of four massive sulphide deposits that occur over a 6.6 kilometre strike distance. A preliminary economic assessment updated in 2010 evaluated a possible large-scale open pit and underground operation, processing up to 17,000 tonnes per day. The most recent technical report on Hackett River (completed in 2013) contained a mineral resource estimate of 25.0 million tonnes of indicated resources containing 4.2% zinc, 130.0 grams per tonne silver, 0.5% copper and 0.3 grams per tonne gold plus 57.0 million tonnes of inferred resources with 3.0% zinc, 100.0 grams per tonne silver, 0.4% copper and 0.2 grams per tonne gold.

About Lobo-Marte

The Lobo-Marte project contains two potential open-pit gold resources located in the Maricunga gold district of Chile. The resources are seven kilometers apart, and are located 60 kilometres south of Kinross's La Coipa mine, and 60 kilometres north of Kinross's Refugio mine, 100 kilometres east of Copiapó. Kinross completed a prefeasibility study at Lobo-Marte which contemplated a heap-leach operation and submitted an environmental and social impact study to Chilean authorities. Kinross subsequently withdrew its permit application due to changes in the plan of operations, project economics, and other factors. As a result of the permit withdrawal, much of the historic seven million ounces of measured and indicated gold resources, contained in 185.4 million tonnes at 1.2 grams per tonne gold, were reclassified from historic mineral reserves. Future development and operations at Lobo-Marte will require the re-initiation of the permitting process.

About Copper Mountain

The Copper Mountain mine is a large-scale, open pit copper-gold-silver mine, operated by Copper Mountain. The mine is located 300 kilometres east from the port of Vancouver, in southern British Columbia. Mining began in 2011 and, with the recent addition of a secondary crusher to the project, the mine has been able to achieve production rates up to 40,000 tonnes per day from multiple open pits. During the full year 2014, Copper Mountain produced 81 million pounds of copper, 22,600 ounces of gold and 443,800 ounces of silver at an operating cost of $1.49/pound, net of by-products. Mining operations are active at the Virginia pit.

About Ağı Dağı/Kirazli

The Ağı Dağı and Kirazlı gold development projects are located in the Çanakkale Province of northwestern Turkey. A positive pre-feasibility study was completed on Ağı Dağı and Kirazli in 2012 with both projects evaluated for a potential stand-alone open-pit, heap-leach operation. The study evaluated production for an average 99,000 ounces of gold per year over a five year mine life at Kirazli. The study at Ağı Dağı evaluated production for an average of 143,000 ounces of gold per year over a seven year mine life. Initial production from Ağı Dağı is projected to commence approximately 18 months after first production at Kirazli.

Corporate Takeovers

Acquisition of 100% Interest in Premier Royalty

The Acquisition

In 2013, the Company acquired 100% of the issued and outstanding common shares of Premier Royalty. Through a series of transactions conducted in January 2013, the Company acquired an aggregate of 46,678,221 common shares and 6,965,676 warrants of Premier Royalty. The 46,678,221 common shares of Premier Royalty owned by the Company at that time represented approximately 59.9% of Premier Royalty's issued and outstanding shares and the Company SEDAR filed a Form 51-102F4, Business Acquisition Report, under National Instrument 51-102, in respect of these initial transactions. Subsequently, on August 14, 2013, the Company announced that it had entered into an arrangement agreement (the "**Arrangement Agreement**") with Premier Royalty pursuant to which the Company would acquire 100% of the issued and outstanding common shares of Premier Royalty ("**Premier Shares**") on the basis of 0.145 of a fully paid and non-assessable common share of the Company (the "**Consideration Shares**") for each outstanding Premier Share (other than the 46,678,221 Premier Shares already owned by the Company), by way of a court-approved statutory plan of arrangement under section 182 of the *Business Corporations Act* (Ontario) (the "**Premier Arrangement**"). On October 4, 2013, the Company completed the Premier Arrangement and acquired an additional 31,849,015 common shares of Premier Royalty by issuing an aggregate of 4,618,109 Consideration Shares to the shareholders of Premier Royalty. In accordance with the terms of outstanding warrants to acquire Premier Royalty shares (each, a "**Premier Royalty Warrant**"), each holder of a Premier Royalty Warrant outstanding immediately prior to the effective time of the Premier Arrangement will receive, on subsequent exercise of such holder's Premier Royalty Warrant, in accordance with its terms, for the same aggregate consideration payable for such warrant, 0.145 of a Common Share of the Company. Also, in accordance with the terms of outstanding stock options to acquire Premier Royalty shares (each, a "**Premier Royalty Option**"), each holder of a Premier Royalty Option outstanding immediately prior to the effective time of the Premier Arrangement will receive, on subsequent exercise of such holder's Premier Royalty Option, in accordance with its terms, for the same aggregate consideration payable for such option, 0.145 of a Common Share of the Company.

Business of Premier Royalty

Premier Royalty was a public company whose common shares, until October 9, 2013, were listed for trading on the TSX. Premier Royalty was in the business of acquiring royalty interests in mineral properties that are advanced staged development projects or operating mines. Premier Royalty did not conduct mining operations, nor was it required to contribute to capital costs, exploration costs, environmental costs or other mining costs on the properties in which it held royalty interests. As a result of obtaining 100% of Premier Royalty's common shares, the Company added a number of quality royalty assets to its portfolio along with over $30.0 million in cash.

Three of Premier's (and thus, the Company's) operating royalty interests are on the: (i) Gualcamayo Mine (a 1.0% NSR on the Gualcamayo open pit, heap leach gold mine which is located in San Juan province, Argentina, owned and operated by Yamana); (ii) Emigrant Springs Mine (a 1.5% NSR on the Emigrant Springs open pit, heap leach gold mine located in the Carlin Trend in Nevada, USA, owned and operated by Newmont); and (iii) Mine Waste Solutions (a 1.0% NSR on the gold produced from Mine Waste Solutions gold and uranium tailings recovery operation located near Stilfontein, South Africa, owned and operated by AngloGold Ashanti Ltd.).

Amalgamation of Premier Royalty and the Company

Effective June 19, 2015, Sandstorm Gold Ltd. amalgamated, by way of vertical short-form amalgamation under the *Business Corporations Act* (British Columbia), with Premier Royalty (the "**Amalgamation**"). Sandstorm Gold Ltd. is the continuing entity as a result of the Amalgamation.

Following the Amalgamation, there are still an aggregate of 8,471,540 Premier Royalty Warrants outstanding which are exercisable into an aggregate of 1,228,373 Common Shares of the Company at a post-Premier Arrangement price per Common Share ranging from approximately C$13.79 – C$17.24. There are also an aggregate of 2,873,333 Premier Royalty Options outstanding which are exercisable into an aggregate of 416,633 Common Shares of the Company at a post-Premier Arrangement price per Common Share ranging from approximately C$10.62 – C$16.345.

Acquisition of 100% Interest in Sandstorm Metals

The Acquisition

On April 21, 2014, the Company announced that it had entered into an arrangement agreement with Sandstorm Metals pursuant to which the Company agreed to acquire 100% of the issued and outstanding common shares of Sandstorm Metals, other than the Sandstorm Metals common shares already owned by Sandstorm Gold, by way of a statutory plan of arrangement (the "**SND Arrangement**") under the *Business Corporations Act* (British Columbia). Sandstorm Gold agreed to issue to each holder of a Sandstorm Metals common share 0.178 of a Common Share and C$0.35 to be paid in cash (together, with the fractional Common Share, the "**Consideration**"). On May 29, 2014, the Company completed the SND Arrangement and acquired an additional 32,012,603 common shares of Sandstorm Metals by issuing Consideration consisting of an aggregate of 5,698,216 Common Shares and C$11,204,411.05 in cash to the shareholders of Sandstorm Metals. In connection with the SND Arrangement, the common shares of Sandstorm Metals were delisted from the TSXV (TSXV:SND) on May 30, 2014 and the applicable securities regulatory authorities granted Sandstorm Metals non-reporting issuer status under Canadian securities law effective June 26, 2014. The Company SEDAR filed a Form 51-102F4, Business Acquisition Report, under National Instrument 51-102 in respect of the SND Arrangement.

Business of Sandstorm Metals

Sandstorm Metals was a non-operating commodity streaming company which generated 100% of its operating revenue from the sale of base metals and from receipt of payments under its royalty agreements. The acquisition of Sandstorm Metals by the Company provided the Company with approximately $4.0 million of annual royalty revenue from operating mines as well as royalties on advanced exploration and development assets and cash.

Three of Sandstorm Metals' (and thus, the Company's) royalty and other interests are:

Glencore Royalty - a 2.4% net smelter return royalty on the Bracemac-McLeod Mine.

Canadian Zinc Royalty - a 1.2% net smelter return royalty on the zinc/lead produced from Canadian Zinc Corporation's zinc-silver-lead project in the Northwest Territories, Canada (the "**Prairie Creek Project**"). The Company already had a 1.2% net smelter return royalty for the silver produced from the Prairie Creek Project.

Entrée Copper Metal Credits Agreement – Sandstorm Metals' rights under their Copper Agreement with respect to copper production from the Entrée JV Project.

Acquisition of 100% Interest in Gold Royalties Corporation

The Acquisition

On February 17, 2015, the Company entered into an arrangement agreement (the "**Arrangement Agreement**") with Gold Royalties Corporation ("**Royalties**") pursuant to which it was agreed that the Company would acquire all of the issued and outstanding common shares of Royalties ("**Royalties Shares**"), other than the Royalties Shares already owned by the Company, by way of a court-approved statutory plan of arrangement under section 193 of the *Business Corporations Act* (Alberta) (the "**Royalties Arrangement**"). Pursuant to the terms of the Arrangement Agreement, it was agreed that, upon completion of the Arrangement, the shareholders of Royalties (the "**Royalties Shareholders**"), other than the Company, would receive Common Shares on the basis of 0.045 of a fully paid and non-assessable Common Share (the "**Consideration Shares**") (the Consideration Shares, being the "**Consideration**") for each Royalties Share held. Completion of the Royalties Arrangement was subject to the approval of the: (i) Royalties Shareholders by way of special resolution at a special meeting held on April 23, 2015 (the "**Royalties Shareholder Meeting**"), (ii) Court of Queen's Bench of Alberta, (iii) TSX, and (iv) the TSXV. All of the required approvals were obtained and, on April 28, 2015, the Company completed the Arrangement and issued an aggregate of 1,161,720 Consideration Shares to the Royalties Shareholders (other than the Company). In connection with the Royalties Arrangement, the Royalties Shares were delisted from the TSXV (TSXV:GRO) on May 5, 2015 and the applicable securities regulatory authorities granted Royalties non-reporting issuer status under Canadian securities law effective June 3, 2015. The Company SEDAR filed a Form 51-102F4, Business Acquisition Report, under National Instrument 51-102 in respect of the Royalties Arrangement.

Business of Royalties

Royalties was a growth-orientated gold royalty business which acquired and held gold royalty assets for investment purposes. At the time of completion of the Royalties Arrangement, Royalties had a portfolio of 18 royalties on mining projects located in Canada, including one royalty which is generating cash flow from gold production.

DESCRIPTION OF THE BUSINESS

Sandstorm Gold is a non-operating gold streaming company which generates its revenue primarily from the sale of gold and other metals. The Company is listed on the TSX (symbol: SSL) and the NYSE MKT LLC ("**NYSE MKT**") (symbol: SAND). The Company's 2012 Warrants (as defined below) and 2015 Warrants (as defined below) trade on the TSX (symbols: SSL.WT.B and SSL.WT, respectively). None of the Company's publicly traded warrants are or were listed on the NYSE MKT.

Sandstorm Gold currently has a portfolio of 132 Gold Streams and net smelter return ("**NSR**") and other royalty agreements, of which 19 of the underlying mines are producing.

Sandstorm Gold seeks to acquire gold and other metals purchase agreements (" **Gold Streams**") and royalties from companies which have advanced stage development projects or operating mines. In return for making a one-time upfront payment to acquire a Gold Stream, Sandstorm Gold receives the right to purchase, at a fixed price per unit, a percentage of a mine's production for the operating life of the asset. Sandstorm Gold is focused on acquiring Gold Streams and royalties on mines with low production costs, significant exploration potential and strong management teams.

A royalty is a payment to a royalty holder by a property owner or an operator of a property and is typically based on a percentage of the minerals or other products produced or the revenues or profits generated from the property. Royalties are not typically working interests in a property and, depending on the nature of a royalty interest and the laws applicable to it and the project, the royalty holder is generally not responsible for, and has no obligation to contribute additional funds for any purpose, including, but not limited to, operating or capital costs or environmental or reclamation liabilities. An NSR royalty is generally based on the value of production or net proceeds received by an operator from a smelter or refinery. These proceeds are usually subject to deductions or charges for transportation, insurance, smelting and refining costs as set out in the specific royalty agreement. For gold royalties, the deductions are generally minimal. NSR's generally provide cash flow which is free of any operating or capital costs and environmental liabilities. A smaller percentage NSR in a project can effectively equate to the economic value of a larger percentage profit or working interest in the same project.

Gold Streams and royalties are an alternative to other more conventional forms of financing, including equity, convertible securities and debt financings which can be used to finance mineral projects. Sandstorm Gold competes directly with these other sources of capital to provide financing. Sandstorm Gold plans to grow and diversify its production profile through the acquisition of additional Gold Streams and royalties. There is no assurance, however, that any potential acquisitions will be successfully completed.

Principal Product

The Company's principal product is gold that it has agreed to purchase in the future pursuant to its Gold Stream agreements. There is a worldwide gold market into which the Company can sell the gold purchased under the gold purchase agreements and, as a result, the Company will not be dependent on a particular purchaser with regard to the sale of the gold that it expects to acquire pursuant to its gold purchase agreements. The Company also expects to purchase silver and copper and to receive payments pursuant to its NSR and other royalty agreements.

The following table summarizes the gold and other interests currently owned by the Company (collectively the " **Mining Operations**"):

Property	Mine Owner	Location of Mine	Attributable Production to be Purchased
Gold Streams:			
Santa Elena Mine	First Majestic	Mexico	20% of the gold, including the underground operation
Ming Mine	Rambler	Canada	Approximately 25% of the first 175,000 ounces of gold produced and 12% thereafter
Black Fox Mine	Primero	Canada	8% of the gold from the Black Fox Mine plus 6.3% from the Black Fox Extension
Bachelor Lake Mine	Metanor	Canada	20%
Hugo North Extension and Heruga deposits	Entrée	Mongolia	Gold and silver by-products: 5.619%- 8.425% on Hugo North Extension and 4.258% – 6.391% on Heruga Copper: 0.415% - 0.623%% on Hugo North Extension and Heruga
Karma Project	True Gold	Africa	5,000 ounces of gold per year for the first five years (25,000 ounces) and then 1.625% of the gold production thereafter

Property	Mine Owner	Location of Mine	Attributable Production to be Purchased
Chaviña Project (Koricancha)	Anthem United Inc.	Peru	3.3% of the gold
Chapada Mine	Yamana	Brazil	4.2% of the copper plus 52% of the silver
Minera Florida	Yamana	Chile	20% of the silver
Cerro Moro	Yamana	Argentina	20% of the silver
Royalty Portfolio:			
Producing:			
Diavik Mine	Rio Tinto/Dominion	Canada	1% GPR (diamonds) (1)
Aurizona Mine	Luna	Brazil	3% - 5% NSR
Bracemac-McLeod Mine	Glencore	Canada	3.0% NSR
Gualcamayo Mine	Yamana	Argentina	1.0% NSR
Emigrant Springs Mine	Newmont	United States	1.5% NSR
Mine Waste Solutions	Anglogold Ashanti Ltd.	Africa	1.0% NSR
San Andres	Aura Minerals	Honduras	1.5% NSR
Thunder Creek	Lake Shore Gold	Canada	1.0% NSR
Bachelor Lake Mine	Metanor	Canada	1.0% NSR
Sao Francisco	Aura Minerals	Brazil	1.5% NSR
Copper Mountain	Copper Mountain Mining	Canada	5.0% NSR on copper and 2.5% NSR on other metals
Sheerness	Westmoreland Coal	Canada	5% GRR (2)
Magmont	Doe Run Resources Corporation	USA	1.25% NSR
Altintepe	Bahar Madencilik Sanayi ve Ticaret A.S.	Turkey	1.5% NSR
Gordon Creek	Gordon Creek Energy	United States	10% GOR (natural gas) (3)
Non-Producing:			
Greenfields	Luna	Brazil	2% NSR
Agua Rica	Yamana	Argentina	0.25% NSR
Barry	Metanor	Canada	0.5%-1.0% NSR
Blende	Blind Creek Resources	Canada	2.0% NSR
Eastern Extension	BonTerra Resources	Canada	1.0% NSR
Hart	Northern Sun Mining	Canada	1.0% NSR
KM61	Stockport Exploration	Canada	0.25% NSR
Roc d'Or East Extension	Integra Gold	Canada	2.0% NSR
Spectrum	Skeena Resources	Canada	1.65% NSR
Iron Horse	Sokoman Iron	Canada	1.0% NSR
Bermuda	Stillwater Mining	Canada	0.5% NSR
Seymour Lake	Stockport Exploration	Canada	1.5% NSR
Grenville	Canadian International Minerals Inc.	Canada	1.0% NSR
Waconichi	Northern Superior Resources	Canada	1.0% NSR
Windfall Lake	Oban Mining	Canada	0.5%-1.0% NSR
Cadillac Break	Alexandria Minerals	Canada	1.0% NSR
Eureka	Pacific Ridge Exploration	Canada	1.0% NSR
Gold Cap	Pacific Ridge Exploration	Canada	1.0% NSR
Justin/Hit	Aben Resources	Canada	2.0% NSR
Bradshaw	Gowest Gold	Canada	1.0% GSR (4)
Sao Vicente	Aura Minerals	Brazil	1.5% NSR
Coringa	Magellan Minerals Ltd.	Brazil	2.5% NSR
Cuiu Cuiu	Magellan Minerals Ltd.	Brazil	1.0% NSR
Ann Mason Deposits	Entrée	United States	0.4% NSR
Mt. Hamilton	Waterton Global Resources Management	United States	2.4% NSR
Paul Isnard Project	Columbus Gold Corp.	French Guiana	1.0% NSR
Prairie Creek Project	Canadian Zinc	Canada	1.2% NSR
Bomboré Project	Orezone Gold Corp.	Africa	0.45% NSR
Akorade Project	Castle Peak Mining Ltd.	Africa	1.0% NSR
Serra Pelada Mine	Colossus Minerals Inc.	Brazil	2.0% NSR
Belleview Property	Alianza Minerals Ltd.	United States	0.5% NSR

Property	Mine Owner	Location of Mine	Attributable Production to be Purchased
East Walker Property	Alianza Minerals Ltd.	United States	1.0% NSR
Horsethief Property	Alianza Minerals Ltd.	United States	1.0% NSR
Fri Gold Property	Alianza Minerals Ltd.	United States	0.5% NSR
Kobeh Property	Alianza Minerals Ltd.	United States	0.5%NSR
Ashby Property	Alianza Minerals Ltd.	United States	1.0% NSR
Columbia Property	Alianza Minerals Ltd.	United States	1.0% NSR
Argosy	Great Panther Silver	Canada	0.5% NSR
Newman-Madsen	Pure Gold Mining	Canada	0.5% NSR
East My-Ritt	Yamana	Canada	0.5% NSR
Pickle Crow	PC Gold	Canada	0.5% NSR
Skinner	Sabina Gold	Canada	7.5% NPI [(5)]
Red Ridge	McEwen Mining	United States	3.0% NSR
Cerro Prieto	Goldgroup Mining	Mexico	2.0% NSR
Don Nicholas	CIMINAS	Argentina	$3.00/ounce royalty up to $2.0 million
Rain	Premier Gold/Newmont	United States	1.5% NSR
Broulan Reef	Goldcorp	Canada	2.0% NSR
HM Claim Property	Kirkland Lake Gold	Canada	2.0% NSR
Buffelsfontein	Heaven-Sent Capital Management Group Co. Ltd.	Africa	1.0% NSR
Mel	Silver Range Resources	Canada	1.0% NSR
Fostung	Duke Mountain Resources	Canada	1.0% NSR
Wernecke	Newmont Mining	Canada	0.8% NSR
Hudson-Patricia	Rubicon Minerals	Canada	1.5% NSR
Fly Lake	Rubicon Minerals	Canada	1.5% NSR
Slate Lake	Rubicon Minerals	Canada	1.5% NSR
Camporo	First Point Minerals	Honduras	0.4% - 1.2% NSR
Hackett River	Glencore	Canada	2.0% NSR
Ajax	KGHM Polska Miedz	Canada	1.5% NSR
Keno Hill	Alexco Resources Corp.	Canada	25% NPI
Ruccock Creek	Imperial Metals Corporation	Canada	1.0% NSR
Lobo-Marte	Kinross Gold	Chile	1.75% (on 60% of production)
Los Verdes	Minera Alamos Sonora S.A. de C.V.	Mexico	2.0% NSR
Box	Fortune Bay Corp.	Canada`	1.5% NSR
Homestake Ridge	Homestake Resource Corporation	Canada	2.0% NSR
Railroad	Gold Standard Ventures Corporation	USA	3.0% NSR
Whistler	Brazil Resources Inc.	USA	2.0% NPI
Hot Maden	Lidya/Mariana	Turkey	2.0% NSR
Karaagac	Anadolu Export Maden Sanayi ve Ticaret A.S.	Turkey	1.5% NSR
Tac/Corak	Cengiz Kaya	Turkey	2.0% NSR
Tavsan (Red Rabbit)	Ariana Resources plc	Turkey	2.0% NSR
Ağı Dağı/Kirazli	Alamos Gold	Turkey	$10/ounce production royalty
Karadere (Burhaniye)	Tumad Madencilik Sanayi ve Ticaret A.S.	Turkey	2.0% NSR
Abitibi/Sarah Lake	Commander Resources Ltd.	Canada	1.0% NSR
Big Bulk	LCT Holdings Inc.	Canada	1.5% NSR
Butterfly Lake	North Arrow Minerals Inc.	Canada	0.71% GOR
Caramelia	Huakan International Mining Inc.	Canada	2.0% NSR
CT	Kreft Resources Ltd.	Canada	0.75% NSR
Lorrain	Canadian Silver Hunter Inc.	Canada	2.0% NSR
Mainstreet	Beaufield Resources Inc.	Canada	1.2% NSR
New Afton	New Gold Inc.	Canada	2.0% NSR
Rossland	Rossland Resources Inc.	Canada	1.0% - 2.0% NSR
Snip 2	Colorado Resources Ltd.	Canada	2.0% NSR
Summit Lake	Rainy Mountain Royalty Corp.	Canada	1.9% NSR
Ten Mile Creek	Bernie Kreft	Canada	1.5% NSR
Tsacha	Independence Gold Corp.	Canada	2.0% NSR
Wrigley	Devonian Metals Inc.	Canada	2.0% NSR

Property	Mine Owner	Location of Mine	Attributable Production to be Purchased
Aurora	Carlin Resources LLC	USA	2.0% NSR
Big W	Barrick Gold U.S. Inc.	USA	3.0% NSR
Cabin Creek	McEwen Mining Inc.	USA	10% NPI
Cherry Creek	McEwen Mining Inc.	USA	1.5% GOR
Lichen	Silver Phoenix Resources Inc.	USA	2.0% NSR
Shotgun	TNR Gold Corp.	USA	5.0% NPI
Van Stone	Equinox Resources (WASH) Inc.	USA	1.5% NSR
Amapari	Mineraçao Amapari S.A.	Brazil	3.0% NSR
Rio Novo South	Rio Minas Mineraçao	Brazil	0.75% NSR
Gatita	Compania Minera Potosi S.A.	Peru	1.0% NSR
Huajoto	Alturas Minerals Corp.	Peru	0.5% - 1.0% NSR
Mario	Fortuna Silver Mines Inc.	Peru	2.0% NSR
Arcas	Altius Minerals Corporation	Chile	1.0% NSR
Celeste	Coro Mining Corp.	Chile	3.0% NSR
Pampa Lina	Sierra Gorda Sociedad Contractual Minera	Chile	5.0% NPI
Kiskama	Talga Resources Ltd.	Sweden	1.0% NSR
Masugnsbyn	Talga Resources Ltd.	Sweden	1.0% NSR
Vittangi	Talga Resources Ltd.	Sweden	1.0% NSR
Hasandagi	Newmont	Turkey	2.0% NSR
Muratdagi	Kenz Enerji ve Madencilik San. Ve Tic A.S.	Turkey	2.0% NSR
Tombul	Elazig Baskil Madencilik A.S.	Turkey	2.0% NSR

NOTES:

(1) Gross Proceeds Royalty ("**GPR**") from the sale of diamonds.
(2) Gross Revenues Royalty ("**GRR**") means gross revenues for all minerals produced from a property.
(3) Gross Overriding Royalty ("**GOR**") is based on the total revenue stream from the sale of production from a property with few, if any, deductions.
(4) Gross Smelter Returns ("**GSR**") means gross revenues from the sale or deemed sale of all minerals produced from a property.
(5) Net Profit Interest ("**NPI**") is based on the profit realized after deducting costs related to production as set out in the applicable royalty agreement. NPI payments generally begin after payback of capital costs and ongoing operating costs and some also allow deductions for prior exploration and interest costs. Although the royalty holder is not responsible for providing capital, covering operating losses or environmental liabilities, increases in production costs will affect net profits and royalties payable.

The following table summarizes the ounces of gold sold and the respective revenue received by the Company from each of its producing gold interests for the year ended December 31, 2015:

Property	Gold Equivalent Ounces Sold	Sales & Royalty Revenue ($000s)
Aurizona Mine	9,061	10,773
Bachelor Lake Mine	7,101	8,285
Black Fox Mine	5,891	6,856
Diavik Mine	4,863	5,656
Ming Mine	1,651	1,855
Santa Elena	9,171	10,640
Royalties	7,242	8,422
Other	166	176
Total	**45,146**	**52,663**

Further details regarding the purchase agreements entered into by the Company in respect of its **material** Gold Streams and NSRs and other royalties (excepting the portfolio of royalties acquired pursuant to the Company's acquisition of Premier Royalty and Gold Royalties) can be found under the heading "GENERAL DEVELOPMENT OF THE BUSINESS" above.

Competitive Conditions

Sandstorm Gold competes with other companies to identify suitable Gold Streams and enter into agreements for the purchase of gold and other metals. The ability of the Company to acquire additional metals in the future will depend on its ability to select suitable properties and enter into similar Gold Streams. See “Description of the Business – Risk Factors – Competition”.

Operations

Raw Materials

The Company expects to purchase gold, silver and copper pursuant to the Gold Streams described above under “Description of the Business – Principal Product”.

Employees

At the end of the most recently completed financial year, the Company and its subsidiaries had 18 employees. No management functions of the Company are performed to any substantial degree by a person other than the directors or executive officers of the Company.

Foreign Interests

The Company currently purchases or expects to be purchasing gold and/or other metals or expects to receive payments under its NSR and other royalty agreements from mines in Brazil, Mexico, the United States, Mongolia, Africa, Argentina, Chile, Peru, Honduras, French Guiana, Turkey, Sweden and Canada. Any changes in legislation, regulations or shifts in political attitudes in such countries are beyond the control of the Company and may adversely affect its business. The Company may be affected in varying degrees by such factors as government legislation and regulations (or changes thereto) with respect to the restrictions on production, export controls, income and other taxes, expropriation of property, repatriation of profits, environmental legislation, land use, water use, land claims of local people and mine safety. The effect of these factors cannot be accurately predicted. See “Description of the Business – Risk Factors – Risks Relating to the Mining Operations – International Interests”.

RISK FACTORS

The operations of the Company are speculative due to the nature of its business which is principally the investment in Gold Streams. These risk factors could materially affect the Company’s future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. The risks described herein are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also materially and adversely affect its business.

Risks Relating to the Company

Global Financial Conditions

Global financial conditions have always been subject to volatility. Access to public financing has been negatively impacted by sovereign debt concerns in Europe and emerging markets, as well as concerns over global growth rates and conditions. These factors may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Company. Increased levels of volatility and market turmoil can adversely impact the Company’s operations and the value and the price of the Common Shares could to be adversely affected.

Subject to the Same Risk Factors as the Mining Operations

To the extent that they relate to the production of gold from, or the continued operation of, the Mining Operations, the Company will be subject to the risk factors applicable to the operators of such mines or projects, some of which are set forth below under "Risks Relating to the Mining Operations."

Market Price of the Common Shares, 2012 Warrants and 2015 Warrants

The Common Shares, 2012 Warrants and 2015 Warrants are listed and posted for trading on the TSX. The Common Shares are also listed and posted for trading on the NYSE MKT. An investment in the Company's securities is highly speculative. Securities of companies involved in the resource industry have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. The price of the Common Shares, 2012 Warrants and the 2015 Warrants are also likely to be significantly affected by short-term changes in commodity prices, the Company's financial condition or results of operations as reflected in its quarterly and annual financial statements, currency exchange fluctuations and the other risk factors identified herein.

No Control Over Mining Operations

The Company has agreed to purchase a certain percentage of the gold and other metals produced from certain of the Mining Operations and also expects to receive payments under its NSR and other royalty agreements from certain of the Mining Operations.

The Company is not directly involved in the ownership or operation of mines and has no contractual rights relating to the operation of the Mining Operations.

Except in limited circumstances, the Company will not be entitled to any material compensation if any of the Mining Operations do not meet their forecasted production targets in any specified period or if the operations shut down or discontinue their operations on a temporary or permanent basis. All of the Mining Operations may not commence commercial production within the time frames anticipated, if at all, and there can be no assurance that the production from such Mining Operations will ultimately meet forecasts or targets. At any time, any of the operators of the Mining Operations or their successors may decide to suspend or discontinue operations. The Company is subject to the risk that the Mining Operations may shut down on a temporary or permanent basis due to issues including but not limited to economic conditions, lack of financial capital, floods, fire, weather related events, mechanical malfunctions, community or social related issues, social unrest, the failure to receive permits or having existing permits revoked, exploration and other risks. These issues are common in the mining industry and can occur frequently. There is a risk that the carrying values of the Company's assets may not be recoverable if the mining companies operating the Mining Operations cannot raise additional finances to continue to develop those assets. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Mining Operations becoming uneconomic resulting in their shutdown and closure. The Company is not entitled to purchase gold or other metals if no gold or other metals is produced from the Mining Operations.

Reliance on Third Party Reporting

The Company relies on public disclosure and other information regarding the Mining Operations it receives from the owners, operators and independent experts of such Mining Operations, and certain of such information is included in this AIF. Such information is necessarily imprecise because it depends upon the judgment of the individuals who operate the Mining Operations as well as those who review and assess the geological and engineering information. In addition, the Company must rely on the accuracy and timeliness of the public disclosure and other information it receives from the owners and operators of the Mining Operations, and uses such information in its analyses, forecasts and assessments relating to its own business and to prepare its disclosure with respect to the Gold Streams and royalties. If the information provided by such third parties to the Company contains material inaccuracies or omissions, the Company's disclosure may be inaccurate and its ability to accurately forecast or achieve its stated objectives may be materially impaired, which may have a material adverse effect on the Company.

Acquisition Strategy

As part of the Company's business strategy, it has sought and will continue to seek to purchase Gold Streams from third party natural resource companies. In pursuit of such opportunities, the Company may fail to select appropriate acquisition candidates or negotiate acceptable arrangements, including arrangements to finance the acquisitions or integrate the acquired businesses and their personnel into the Company. The Company cannot assure that it can complete any acquisition or business arrangement that it pursues, or is pursuing, on favourable terms or at all, or that any acquisitions or business arrangements completed will ultimately benefit the Company.

Operating Model Risk

The Company is not directly involved in the ownership or operation of mines. The Gold Stream agreements that the Company enters into are subject to most of the significant risks and rewards of a mining company, with the primary exception that, under such agreements, the Company acquires gold at a fixed cost. As a result of the Company's operating model, the cash flow of the Company is dependent upon the activities of third parties which creates the risk that at any time those third parties may: (a) have business interests or targets that are inconsistent with those of the Company, (b) take action contrary to the Company's policies or objectives, (c) be unable or unwilling to fulfill their obligations under their agreements with the Company, or (d) experience financial, operational or other difficulties, including insolvency, which could limit a third party's ability to perform its obligations under the third party arrangements. In particular, Luna requires additional capital in order to continue as a going concern. If Luna fails to raise sufficient additional capital within the constraints imposed by their time requirements, this may result in Luna's insolvency, thus causing the Company's interest in the Aurizona Mine to be adversely impacted. There can be no assurance that additional capital can be raised by Luna.

In addition, the termination of one or more of the Company's Gold Stream agreements could have a material adverse effect on the results of operations or financial condition of the Company.

Taxes and Accounting Rules

The Company has a subsidiary in Barbados which entered into Gold Streams in connection with the Aurizona Mine, Karma Project and Santa Elena Mine. Also, the Company has subsidiary companies in the United States and Argentina which own the rights to certain NSR royalties in those jurisdictions. The introduction of new tax laws or regulations, or changes to, or differing interpretation of, or application of, existing tax laws or regulations in Canada, Barbados, Argentina and the United States or any of the countries in which the Mining Operations are located or to which shipments of gold or other precious metals are made, could result in an increase in the Company's taxes, or other governmental charges, duties or impositions. The Company's international transactions have not yet been reviewed by the Canada Revenue Agency and, should such transactions be reviewed, no assurances can be given that the tax matters will be resolved favourably. The Company's remaining Gold Streams and royalties have been entered into directly by Canadian based subsidiaries and will, therefore, be subject to Canadian, and/or U.S. taxation, as the case may be.

No assurance can be given that new tax laws or regulations will not be enacted or that existing tax laws or regulations will not be changed, interpreted or applied in a manner which could have a material adverse effect on the Company. In addition, the introduction of new tax laws or regulations or accounting rules or policies, or changes to, or differing interpretations of, or application of, existing tax laws or regulations or accounting rules or policies, could make Gold Streams less attractive to counterparties. Such changes could adversely affect the Company's ability to enter into new Gold Streams.

Credit and Liquidity Risk

The Company is exposed to counterparty risks and liquidity risks including, but not limited to: (i) through the companies with which the Company has gold and other metals purchase agreements or royalty agreements; (ii) through financial institutions that hold the Company's cash and cash equivalents; (iii) through companies that have payables to the Company; (iv) through the Company's insurance providers; and (v) through the Company's lenders. The Company is also exposed to liquidity risks in meeting its operating expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. In addition, the Company's loan receivable and convertible debenture due from Luna is subject to Luna's credit risk and the Company's ability to realize on its security.

These factors may impact the ability of the Company to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to the Company. If these risks materialize, the Company's operations could be adversely impacted and the trading price of the Common Shares, 2012 Warrants and 2015 Warrants could be adversely affected.

Dependence Upon Key Management Personnel

The Company is dependent upon the services of a small number of key management personnel who are highly skilled and experienced. The Company's ability to manage its activities will depend in large part on the efforts of these individuals. The Company faces intense competition for qualified personnel, and there can be no assurance that the Company will be able to attract and retain such personnel. The loss of the services of one or more of such key management personnel could have a material adverse effect on the Company.

Commodity Prices

The price of the Common Shares, 2012 Warrants and 2015 Warrants and the Company's financial results may be significantly adversely affected by a decline in the price of gold, silver or copper. The price of gold. silver and copper fluctuates widely, especially in recent years, and is affected by numerous factors beyond the Company's control, including but not limited to, the sale or purchase of gold, silver and copper by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold, silver and copper-producing countries throughout the world.

In the event that the prevailing market price of gold, silver or copper is at or below the price at which the Company can purchase such pursuant to the terms of the agreements associated with its gold, silver or copper interests, the Company may not generate positive cash flow or earnings on those agreements. Furthermore, if the gold, silver or copper price drops below the cost of production of those commodities at the applicable mines, then those mines may not produce any gold, silver or copper (as the case may be) and the Company will not be entitled to purchase any gold, silver or copper under its applicable agreements.

Furthermore, the price of the Common Shares, 2012 Warrants and 2015 Warrants and the Company's financial results may be significantly adversely affected by a decline in the price and demand for diamonds. Diamond prices fluctuate and are affected by numerous factors beyond the control of the Company, including worldwide economic trends, worldwide levels of diamond discovery and production, and the level of demand for, and discretionary spending on, luxury goods such as diamonds. Low or negative growth in the worldwide ecomony, renewed or additional credit market disruptions, natural disasters or the occurrence of terrorist attacks or similar activities creating disruptions in economic growth could result in decreased demand for luxury goods such as diamonds, thereby negatively affecting the price of diamonds. Similarly, a substantial increase in the worldwide level of diamond production or the release of stock held back during recent periods of lower demand could also negatively affect the price of diamonds. In each case, such developments could have a material adverse effect on the Company's results of operations.

Competition

The Company competes with other companies for Gold Streams and similar transactions, some of which may possess greater financial and technical resources. Such competition may result in the Company being unable to enter into desirable Gold Streams or similar transactions, to recruit or retain qualified employees or to acquire the capital necessary to fund its Gold Streams. Existing or future competition in the mining industry could materially adversely affect the Company's prospects for entering into additional Gold Streams, royalties and similar transactions in the future.

Dividend Policy

No dividends on the Common Shares have been paid by the Company to date. The Company does not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at the discretion of the Company's Board of Directors after taking into account many factors including the Company's operating results, financial condition and current and anticipated cash needs.

Equity Price Risk

The Company holds shares, convertible debentures and warrants of other exploration and mining companies with a combined market value as at December 31, 2015 of $26.6 million.

The Company is exposed to equity price risk as a result of holding long-term investments in these companies. The daily exchange traded volume of these shares, including the shares underlying the warrants, may not be sufficient for the Company to liquidate its position in a short period of time without potentially affecting the market value of such shares. Just as investing in the Company is inherent with risks such as those set out in this AIF, by investing in these other companies, the Company is exposed to the risks associated with owing equity securities and those risks inherent in the investee companies. The Company does not actively trade these investments.

Conflicts of Interest

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration, development and mining operations and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the *Business Corporations Act* (British Columbia) and other applicable laws.

Future Sales or Issuances of Securities

Sandstorm Gold may issue additional securities to finance future activities. Sandstorm Gold cannot predict the size of future issuances of securities or the effect, if any, that future issuances and sales of securities will have on the market price of the Common Shares, 2012 Warrants and 2015 Warrants. Sales or issuances of substantial numbers of Common Shares, or the perception that such sales could occur, may adversely affect prevailing market prices of the Common Shares, 2012 Warrants and 2015 Warrants. With any additional sale or issuance of Common Shares or the exercise of the 2012 Warrants and the 2015 Warrants, investors will suffer dilution to their voting power and Sandstorm Gold may experience dilution in its earnings per share.

The Company may fail to achieve and maintain the adequacy of internal control over financial reporting pursuant to the requirements of the Sarbanes-Oxley Act

The Company is required to assess its internal controls in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 ("**SOX**"). SOX requires an annual assessment by management of the effectiveness of the Company's internal control over financial reporting and an attestation report by the Company's independent registered Chartered Accountants addressing this assessment beginning with the Company's fiscal year ended December 31, 2013. The Company may fail to achieve and maintain the adequacy of its internal control over financial reporting, as such standards are modified, supplemented or amended from time to time, and the Company may not be able to ensure that it can conclude on an ongoing basis that it has effective internal controls over financial reporting in accordance with Section 404 of SOX. The Company's failure to satisfy the requirements of Section 404 of SOX on an ongoing, timely basis could result in the loss of investor confidence in the reliability of its financial statements which, in turn, could harm the Company's business and negatively impact the trading price of the Common Shares, 2012 Warrants and 2015 Warrants. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's operating results or cause it to fail to meet its reporting obligations. There can be no assurance that the Company will be able to remediate material weaknesses, if any, identified in future periods, or maintain all of the controls necessary for continued compliance, and there can be no assurance that the Company will be able to retain sufficient skilled finance and accounting personnel.

Future acquisitions of companies, if any, may provide the Company with challenges in implementing the required processes, procedures and controls in its acquired operations. Future acquired companies, if any, may not have disclosure controls and procedures or internal control over financial reporting that are as thorough or effective as those required by securities laws currently applicable to the Company.

No evaluation can provide complete assurance that the Company's internal control over financial reporting will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be reported. The effectiveness of the Company's controls and procedures could also be limited by simple errors or faulty judgments. In addition, as the Company continues to expand, the challenges involved in implementing appropriate internal controls over financial reporting will increase and will require that the Company continue to improve its internal controls over financial reporting. Although the Company intends to devote substantial time and incur costs, as necessary, to ensure compliance, the Company cannot be certain that it will be successful in complying with Section 404 of SOX on an ongoing basis.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2015 based on the criteria set forth in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In connection with the assessment, management identified a material weakness (the "**Material Weakness**") relating to the review control over the impairment of long-lived assets. A "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

The Material Weakness could have resulted in a material misstatement related to the understatement of impairment expense and overstatement of mineral interests in the Company's annual consolidated financial statements as at and for the year ended December 31, 2015 (the "**2015 Financial Statements**"). These misstatements were corrected prior to the issuance of the 2015 Financial Statements and therefore, there were no misstatements in the Company's current or prior period consolidated financial statements. In response to the identified Material Weakness, management is taking specific actions to address the Material Weakness. The enhancements include the following: (i) the Company has hired an additional resource to assist in its evaluation of the Company's financial reporting; and (ii) the Company has engaged an external search firm to assist in the hiring of a further additional resource to assist in the documentation and review of its internal controls. Remediation will require that changed or new controls operate for a sufficient period of time such that effectiveness of those changes is demonstrated with an appropriate amount of consistency. As the Company implements these plans, management may determine that additional steps may be necessary. Other than the Material Weakness described above, during the year ended December 31, 2015, there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Risks Relating to the Mining Operations

Exploration, Development and Operating Risks

Mining operations generally involve a high degree of risk. The Mining Operations are subject to all of the hazards and risks normally encountered in the exploration, development and production of metals, including weather related events, unusual and unexpected geology formations, seismic activity, rock bursts, cave-ins, pit-wall failures, flooding, environmental hazards and the discharge of toxic chemicals, explosions and other conditions involved in the drilling, blasting and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to property, injury or loss of life, environmental damage, work stoppages, delays in production, increased production costs and possible legal liability. Any of these hazards and risks and other acts of God could shut down mining operations temporarily or permanently. Mining operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability for the owners or operators of the Mining Operations.

The exploration for, development, mining and processing of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenditures may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by the owners or operators of the Mining Operations will result in profitable commercial mining operations. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices which are highly cyclical; government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection; and political stability. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in one or more of the Mining Operations not receiving an adequate return on invested capital. Accordingly there can be no assurance the Mining Operations which are not currently in production will be brought into a state of commercial production.

Commodity Prices for Other Metals Produced from the Mining Operations

The price of metals has fluctuated widely in recent years, and future serious price declines could cause continued development of and commercial production from the Mining Operations to be impracticable. Depending upon the price of other metals produced from the mines which generate cash flow to the owners, cash flow from mining operations may not be sufficient and such owners could be forced to discontinue production and may lose their interest in, or may be forced to sell, some of their properties. Future production from the Mining Operations is dependent on metal prices that are adequate to make these properties and projects economically viable.

In addition to adversely affecting the reserve estimates and financial conditions, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Environmental Risks and Hazards

All phases of the Mining Operations are subject to governmental regulation including environmental regulation in the various jurisdictions in which they operate. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and heightened responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Mining Operations. Also, environmental hazards may exist on the properties which are unknown to the owners or operators of the Mining Operations at present which were caused by previous or existing owners or operators of the properties and which could impair the commercial success, levels of production and continued feasibility and project development and mining operations on these properties. One or more of the mining companies may become liable for such environmental hazards caused by previous owners or operators of the properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Government Regulation, Permits and Licenses

The exploration and development activities related to the Mining Operations are subject to extensive laws and regulations governing exploration, development, production, exports, taxes, labour standards, waste disposal, protection and remediation of the environment, reclamation, historic and cultural resources preservation, mine safety and occupational health, handling, storage and transportation of hazardous substances and other matters.

The costs of discovering, evaluating, planning, designing, developing, constructing, operating and closing the Mining Operations 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 Mining Operations would not proceed with the development of or continue to operate a mine. 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 Mining Operations could result in substantial costs and liabilities for the owners or operators of the Mining Operations in the future such that they would not proceed with the development of, or continue to operate, a mine.

Government approvals, licences and permits are currently, and will in the future be, required in connection with the Mining Operations. To the extent such approvals are required and not obtained, the Mining Operations may be curtailed or prohibited from proceeding with planned operations, which could have an impact on the business and financial condition of the Company. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Mining Operations, resulting in increased capital expenditures or production costs, reduced levels of production at producing properties or abandonment or delays in development of properties.

Permitting

The Mining Operations are subject to receiving and maintaining permits from appropriate governmental authorities. Although the Company believes that, other than as discussed elsewhere herein, the owners and operators of the Mining Operations currently have all required permits for their respective operations as currently conducted, there is no assurance that delays will not occur in connection with obtaining all necessary renewals of such permits for the existing operations, additional permits for any possible future changes to operations or additional permits associated with new legislation. Prior to any development on any of the properties, permits from appropriate governmental authorities may be required. There can be no assurance that the owners or operators of the Mining Operations will continue to hold all permits necessary to develop or continue operating at any particular property.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws, may have a material adverse impact on the owners or operators of the Mining Operations, resulting in increased capital expenditures or production costs, reduced levels of production at producing properties or abandonment or delays in development of properties.

See “Permitting, Construction, Development and Expansion Risk” for additional permitting risks associated with developmental projects.

Infrastructure

Natural resource exploration, development and mining activities are dependent on the availability of mining, drilling and related equipment in the particular areas where such activities are conducted. A limited supply of such equipment or access restrictions may affect the availability of such equipment to the owners and operators of the Mining Operations and may delay exploration, development or extraction activities. Certain equipment may not be immediately available, or may require long lead time orders. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploration, development or production at the Mining Operations.

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Mining Operations.

Uncertainty of Mineral Resource and Mineral Reserve Estimates

The life-of-mine estimates for the Mining Operations may not be correct. The figures for mineral resources and mineral reserves presented in this AIF and derived from the technical reports filed in respect of the Santa Elena Mine, Chapada Mine and Diavik Mine are estimates only and no assurance can be given that the estimated mineral reserves and mineral resources will be recovered or that they will be recovered at the rates estimated. Mineral reserve and mineral resource estimates are based on limited sampling and geological interpretation, and, consequently, are uncertain because the samples may not be representative. Mineral reserve and mineral resource estimates may require revision (either up or down) based on actual production experience. Market fluctuations in the price of metals, as well as increased production costs or reduced recovery rates, may render certain mineral reserves and mineral resources uneconomic and may ultimately result in a restatement of estimated mineral reserves and/or mineral resources.

Mineral resources that are not mineral reserves do not have demonstrated economic viability. Due to the uncertainty of inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to proven and probable mineral reserves as a result of continued exploration.

Replacement of Depleted Mineral Reserves

Because mines have limited lives based primarily on proven and probable mineral reserves, the mining companies which own and/or operate the Mining Operations must continually replace and expand their mineral reserves depleted by their mine’s production to maintain production levels over the long-term. Mineral reserves can be replaced by expanding known ore bodies, locating new deposits or making acquisitions. Exploration is highly speculative in nature. Once a site with mineralization is discovered, it may take several years from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable mineral reserves and to construct mining and processing facilities. As a result, there is no assurance that current or future exploration programs will be successful. There is a risk that depletion of mineral reserves will not be offset by discoveries or acquisitions.

Competition

The mining companies which own and/or operate the Mining Operations each face competition from a number of large established companies with substantial capabilities, and greater financial and technical resources. These mining companies compete with these other mining companies for the acquisition of prospective, explored, developing and developed mining and mineral properties, as well as for the recruitment and retention of qualified directors, professional management, employees and contractors.

Dependence on Good Relations with Employees

Production at the Mining Operations depends on the efforts of its employees. There is intense competition for geologists and persons with mining expertise. The ability of the mining companies to hire and retain geologists and persons with mining expertise is key to the Mining Operations. Further, relations with employees may be affected by changes in the scheme of labour relations that may be introduced by the relevant governmental authorities in the jurisdictions in which the Mining Operations are conducted. Changes in such legislation or otherwise in the mining companies' relationships with their employees may result in strikes, lockouts or other work stoppages, any of which could have a material adverse effect on the Mining Operations, results of operations and financial condition.

Uninsured Risks

The mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties or producing facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. Where each of the mining companies considers it practical to do so, it maintains insurance in amounts that it believes to be reasonable, including insurance for workers' compensation, theft, general liability, all risk property, automobile, directors and officers liability and fiduciary liability and others. Such insurance, however, contains exclusions and limitations on coverage. Accordingly, the mining companies' insurance policies may not provide coverage for all losses related to their business (and specifically do not cover environmental liabilities and losses). The occurrence of losses, liabilities or damage not covered by such insurance policies could have a material adverse effect on the mining companies' profitability, results of operations and financial condition.

Land Title

Although title to the Mining Operations has been reviewed by or on behalf of the Company, no assurances can be given that there are no title defects affecting the properties and mineral claims owned or used by the Mining Operations. The mining companies may not have conducted surveys of the claims in which they hold direct or indirect interests; therefore, the precise area and location of such claims may be in doubt. It is possible that the Mining Operations may be subject to prior unregistered liens, agreements, transfers or claims, including native land claims, and title may be affected by, among other things, undetected defects. In addition, the mining companies may be unable to operate the Mining Operations as permitted or to enforce their rights with respect to the Mining Operations which may ultimately impair the ability of these owners and operators to fulfill their obligations under their agreements with the Company.

Off-take Agreements

Rambler is required by contract to sell all concentrate produced from the Ming Mine to a third party processor whose facilities are used to process the concentrate mined from the property. Access to the facilities is regulated by an off-take agreement agreed to between Rambler and the third party processor. The off-take agreement establishes the price paid for the metals. The third party processor and the Company may need to enter into an agreement or agreements that are similar (as to payment terms) to the payment terms contained in the off-take agreement between Rambler and the third party processor. Such a form of agreement will streamline the payment process as between the third party processor and Rambler, and the third party processor and the Company. If Rambler (on behalf of the Company) and the third party processor are unable to negotiate such an agreement, Rambler and the Company will be obliged to accept payments "in kind" from the third party processor under the existing off-take agreement.

International Interests

The operations with respect to the majority of the Company's gold and other precious metals interests are conducted in Brazil, Mexico, the United States, Mongolia, Africa, Argentina, Chile, Peru, Honduras and Turkey and as such the operations are all exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from country to country and include, but are not limited to, terrorism, hostage taking, military repression, crime, political instability, currency controls, extreme fluctuations in currency exchange rates, high rates of inflation, labour unrest, the risks of war or civil unrest, expropriation and nationalization, renegotiation or nullification of existing concessions, licenses, permits, approvals and contracts, illegal mining, changes in taxation and mining laws, regulations and policies, restrictions on foreign exchange and repatriation, and changing political conditions and governmental regulations relating to foreign investment and the mining business. Several of the countries have experienced political, social and economic unrest in the past and protestors have from time to time targeted foreign mining companies and their mining operations.

Changes, if any, in mining or investment policies or shifts in political attitude may adversely affect the operations or profitability of the Mining Operations in these countries. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use, mine safety and the rewarding of contracts to local contractors or requiring foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation, cancellation or dispute of licenses or entitlements which could result in substantial costs, losses and liabilities in the future.

The occurrence of these various factors and uncertainties related to the economic and political risks for operations in foreign jurisdictions cannot be accurately predicted and could have an adverse effect on the Mining Operations resulting in substantial costs, losses and liabilities in the future.

In particular, any changes or unfavourable assessments with respect to (i) the validity, ownership or existence of the Entrée concessions; as well as (ii) the validity or enforceability of Entrée's joint venture agreement with Oyu Tolgoi LLC may adversely affect the Company's profitability or profits realized under the Entrée Gold Stream. The Company's interest in the Serra Pelada Mine may be adversely impacted if the Cooperative de Mineração dos Garimpeiros de Serra Pelada, which holds a 25% interest in the Serra Pelada Mine, continues to take any unfavourable actions. In addition, Colossus Mineração Ltda. in Brazil has payables which could be in excess of $30.0 million and accordingly, there is a risk that they may be unable to repay their debts, resulting in their insolvency and loss of any rights to the Serra Pelada Mine. Moreoever, there is no certainty that the Karma Project will achieve its intended production and/or construction timeline, if ever.

Permitting, Construction, Development and Expansion Risk

Some of the Mining Operations are currently in various stages of permitting, construction, development and expansion. Construction, development and expansion of such projects is subject to numerous risks, including, but not limited to: delays in obtaining equipment, material and services essential to completing construction of such projects in a timely manner; delays or inability to obtain all required permits; changes in environmental or other government regulations; currency exchange rates; labour shortages; and fluctuation in metal prices. There can be no assurance that the owners or operators of such projects will have the financial, technical and operational resources to complete the permitting, construction, development and expansion of such projects in accordance with current expectations or at all.

Indigenous Peoples

Various international and national laws, codes, resolutions, conventions, guidelines, and other materials relate to the rights of indigenous peoples. The Company holds royalty or streaming interests on operations located in some areas presently or previously inhabited or used by indigenous peoples. Many of these materials impose obligations on government to respect the rights of indigenous people. Some mandate that government consult with indigenous people regarding government actions which may affect indigenous people, including actions to approve or grant mining rights or permits. The obligations of government and private parties under the various international and national materials pertaining to indigenous people continue to evolve and be defined. The mining companies' current or future operations are subject to a risk that one or more groups of indigenous people may oppose continued operation, further development, or new development on those projects or operations on which the Company holds a royalty or streaming interest. Such opposition may be directed through legal or administrative proceedings or protests, roadblocks or other forms of public expression against the Company or the owner/operator's activities. Opposition by indigenous people to such activities may require modification of or preclude operation or development of projects or may require the entering into of agreements with indigenous people. Claims and protests of indigenous people may disrupt or delay activities of the owners/operators of the Company's royalty/stream assets.

TECHNICAL INFORMATION

CIM Standards Definitions

The estimated Mineral Reserves and Mineral Resources set forth below for the Santa Elena Mine, Chapada Mine and the Diavik Mine have been estimated in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("**CIM**") — Definitions adopted by CIM Council on May 10, 2014 (the "**CIM Standards**").

The term "***Mineral Resource***" means a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Material of economic interest refers to diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

The term "***Inferred Mineral Resource***" means that part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An Inferred Mineral Resource is based on limited information and sampling gathered through appropriate sampling techniques from locations such as outcrops, trenches, pits, workings and drill holes.

The term "***Indicated Mineral Resource***" means that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors (as defined below) in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation.

The term "***Measured Mineral Resource***" means that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation.

The term "***Mineral Reserve***" means the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at pre-feasibility or feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. Mineral Reserves are sub-divided in order of increasing confidence into Probable Mineral Reserves (as defined below) and Proven Mineral Reserves (as defined below). Mineral Reserves are inclusive of diluting material that will be mined in conjunction with the Mineral Reserves and delivered to the treatment plant or equivalent facility.

The term "***Probable Mineral Reserve***" means the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Mineral Reserve is lower than that applying to a Proven Mineral Reserve. Probable Mineral Reserve estimates must be deomonstrated to be economic, at the time of reporting, by at least a Pre-Feasibility Study.

The term "***Proven Mineral Reserve***" means the economically mineable part of a Measured Mineral Resource. A Proven Mineral Reserve implies a high degree of confidence in the Modifying Factors. Proven Mineral Reserve estimates must be demonstrated to be economic, at the time of reporting, by at least a Pre-Feasibility Study.

The term "***Modifying Factors***" means considerations used to convert Mineral Resources to Mineral Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors.

Cautionary Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Mineral Resources

This AIF (and documents incorporated by reference herein) has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws and uses terms that are not recognized by the United States Securities and Exchange Commission (the "**SEC**"). The terms "mineral reserve", "proven mineral reserve" and "probable mineral reserve" are terms defined in accordance with CIM Standards. These definitions differ from the definitions in SEC Industry Guide 7 ("**SEC Industry Guide 7**") under the U.S. Securities Act of 1933, as amended. In addition, the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in and required to be disclosed by CIM Standards; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. **Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category.** Under Canadian rules and regulations, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies or other economic studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Disclosure of "contained ounces" in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in place tonnage and grade without reference to unit measures. **Accordingly, information contained in this AIF and the documents incorporated by reference herein containing descriptions of mineral deposits may not be comparable to similar information made public by United States companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.**

Summary of Mineral Reserves and Mineral Resources

The following tables set forth the estimated Mineral Reserves and Mineral Resources for the projects or mines relating to which the Company has **MATERIAL** Gold Streams/royalty agreements, adjusted to reflect the Company's percentage entitlement to gold, copper and diamonds produced from such projects or mines, as of December 31, 2015, unless otherwise noted. The tables are based on information available to the Company as of the date of this AIF, and therefore will not reflect updates, if any, after such date:

ATTRIBUTABLE PROVEN AND PROBABLE MINERAL RESERVES

(AS OF DECEMBER 31, 2015, UNLESS OTHERWISE NOTED)

Property	***Proven***			***Probable***			***Proven & Probable***		
	Tonnage	*Grade*	*Contained*	*Tonnage*	*Grade*	*Contained*	*Tonnage*	*Grade*	*Contained*
	kt	*(grams per tonne)*	*(ounces)*	*kt*	*(grams per tonne)*	*(ounces)*	*kt*	*(grams per tonne)*	*(ounces)*
Santa Elena Mine – Underground [1, 2, 6, 7]	-	-	-	796	1.67	42,800	796	1.67	42,800
Santa Elena Mine – Open Pit [1, 3, 7]	-	-	-	24	2.75	2,200	24	2.75	2,200
Santa Elena Mine - Leach Pad Reserves [1, 4, 6, 7]	-	-	-	669	0.65	14,000	669	0.65	14,000
TOTAL CONTAINED GOLD:			**N/A**			**59,000**			**59,000**

Property	***Proven***			***Probable***			***Proven & Probable***		
	Tonnage	*Grade*	*Contained*	*Tonnage*	*Grade*	*Contained*	*Tonnage*	*Grade*	*Contained*
	kt	*(%)*	*(Million of pounds)*	*kt*	*(%)*	*(Million of pounds)*	*kt*	*(%)*	*(Million of pounds)*
Chapada Mine [10, 12, 14, 15, 16]	7,046	0.27	41.5	6,855	0.26	39.5	13,901	0.26	81
TOTAL CONTAINED COPPER:			**41.5**			**39.5**			**81**

Property	Proven			Probable			Proven & Probable		
	Mt (millions of metric tonnes)	cpt (carats per tonne)	Contained (millions of carats)	Mt (millions of metric tonnes)	cpt (carats per tonne)	Contained (millions of carats)	Mt (millions of metric tonnes)	cpt (carats per tonne)	Contained (millions of carats)
Diavik Mine [17, 19, 22, 23, 24, 25, 26, 27]	0.11	3.0	0.32	0.08	2.7	0.21	0.19	2.8	0.53
TOTAL CONTAINED DIAMONDS:			**0.32**			**0.21**			**0.53**

ATTRIBUTABLE MEASURED AND INDICATED MINERAL RESOURCES

(AS OF DECEMBER 31, 2015, UNLESS OTHERWISE NOTED)

Property	Measured			Indicated			Measured & Indicated		
	Tonnage kt	Grade (grams per tonne)	Contained (ounces)	Tonnage kt	Grade (grams per tonne)	Contained (ounces)	Tonnage kt	Grade (grams per tonne)	Contained (ounces)
Santa Elena Mine [1, 5, 6, 7, 8, 9]	-	-	-	223	1.39	10,000	223	1.39	10,000
TOTAL CONTAINED GOLD:			**N/A**			**10,000**			**10,000**

Property	Measured			Indicated			Measured & Indicated		
	Tonnage kt	Grade (%)	Contained (Million of pounds)	Tonnage kt	Grade (%)	Contained (Millions of pounds)	Tonnage kt	Grade (%)	Contained (Millions of pounds)
Chapada Mine [10, 11, 13, 14, 15, 16]	384	0.22	1.8	3,828	0.24	20.5	4,212	0.24	**22.4**
TOTAL CONTAINED COPPER:			**1.8**			**20.5**			**22.4**

Property	Measured			Indicated			Measured & Indicated		
	Mt (millions of metric tonnes)	cpt (carats per tonne)	Contained (millions of carats)	Mt (millions of metric tonnes)	cpt (carats per tonne)	Contained (millions of carats)	Mt (millions of metric tonnes)	cpt (carats per tonne)	Contained (millions of carats)
Diavik Mine [17, 18, 20, 21, 22, 23, 24, 26, 27]	-	-	-	0.004	2.6	**0.01**	0.004	2.6	**0.01**
TOTAL CONTAINED DIAMONDS:			**N/A**			**0.01**			**0.01**

ATTRIBUTABLE INFERRED MINERAL RESOURCES

(AS OF DECEMBER 31, 2015, UNLESS OTHERWISE NOTED)

Property	Inferred		
	Tonnage kt	Grade (grams per tonne)	Contained (ounces)
Santa Elena Mine [1, 5, 6, 7, 9]	113	1.69	6,200
TOTAL CONTAINED GOLD:			**6,200**

Property	Inferred		
	Tonnage kt	Grade (%)	Contained (Millions of pounds)
Chapada Mine [10, 11, 13, 14, 15, 16]	2,819	0.29	18.1
TOTAL CONTAINED COPPER:			**18.1**

Property	*Inferred*		
	Tonnage	Grade	Contained
	(millions of metric tonnes)	*(carats per tonne)*	*(millions of carats)*
Diavik Mine [17, 19, 22, 23, 24, 26, 27]	0.02	2.8	0.05
TOTAL CONTAINED DIAMONDS:			**0.05**

All Mineral Reserves and Mineral Resources set forth above have been estimated in accordance with the CIM Standards and National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("**NI 43-101**").

Santa Elena Mine

(1) The qualified person ("**QP**") under NI 43-101 for the technical information regarding the Santa Elena Mine contained in this document, including the review and approval of the Mineral Reserves and Mineral Resources estimates as detailed above, is Ramon Mendoza Reyes, P. Eng., Vice President Technical Services for First Majestic.
(2) Underground Probable Mineral Reserves are based on a cut-off grade of 2.49 grams per tonne gold equivalent with an average 10% dilution and 90% mine recovery. Average true thickness of the designed stopes is ten metres.
(3) Open Pit Mineral Reserve is based on a cutoff grade of 0.20 grams per tonne gold equivalent in a constrained pit shell with applied capping of eight grams per tonne gold and 300 grams per tonne silver.
(4) Leach Pad Mineral Reserve based on production and drill hole data for volumetrics and grade model using a cutoff grade of 0.5 grams per tonne gold equivalent. No capping was applied.
(5) Mineral Resources exclude Mineral Reserves and are based on a 1.5 grams per tonne gold equivalent cut-off grade using assumptions for prices and recoveries as stated below. Capping was applied at 12 grams per tonne gold and 700 grams per tonne silver.
(6) Underground and Leach Pad Mineral Reserves and Mineral Resources are based on life of mine plan metal price trends of $19.50 per ounce silver, $1,300 per ounce gold and metallurgical recoveries of 92% gold and 67.5% silver with a metal ratio of silver:gold at 70:1 used for grade cut-off determination.
(7) The Santa Elena Mine Mineral Reserves and Mineral Resources are reported as of December 31, 2014.
(8) Numbers may not add up due to rounding.
(9) Mineral Resources are not known with the same degree of certainty as Mineral Reserves and do not have demonstrated economic viability.

Chapada Mine

(10) The QP for the technical information regarding the Chapada Mine contained in this document, including the review and approval of the Mineral Reserves and Mineral Resources as detailed above, is William Wulftange, P. Geo., Senior Vice President of Exploration of Yamana.
(11) Mineral Resources Metals Prices and Cut-Off Grades: $1,500 gold, $3.50 copper and $5.17 NSR cut-off out of pit for Chapada Mine (Main Pit, Corpo Sul, Cava Norte and Corpo NE); 0.2 grams per tonne gold cut-off for oxide and 0.3 grams per tonne gold cut-off for sulphide in Suruca Gold Project.
(12) Mineral Reserves Metal Prices and Cut-Off Grades: $1,150 gold, $3.00 copper, $5.17 NSR cut-off (Main Pit, Corpo Sul and Cava Norte); $900 gold; 0.2 grams per tonne gold cut-off for oxide ore and 0.3 grams per tonne gold cut-off for sulphide ore in Suruca Gold Project. Metallurgical recoveries for copper are 83% and gold ranges from 52% to 85% dependent on zone.
(13) Mineral Resources are exclusive of Mineral Reserves. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability.
(14) The Chapada Mine Mineral Reserves and Mineral Resources are reported as of December 31, 2015.
(15) The Company's portion of the attributable Mineral Resources, Mineral Reserves and Inferred Mineral Resources set out above have been calculated internally by the Company due to the complex nature of the terms of the Copper Stream.
(16) Numbers may not add up due to rounding.

Diavik Mine

(17) Keith Laskowski, MSc., Vice-President Technical Services for Sandstorm Gold, and a QP under NI 43-101, has reviewed and approved the scientific and technical disclosure regarding the Diavik Mine contained in this AIF.
(18) Indicated is for pipe A-21 only.
(19) Proven is an aggregate for pipes A-154 North, A-154 South, A-418 and A-21 (open pit) and the stockpile. Probable is an aggregate of pipes A-154 North, A-154 South and A-418 only. Inferred is an aggregate of pipes A-154 North, A-154 South, A-418 and A-21.
(20) Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
(21) Mineral Resources are reported exclusive of Mineral Reserves, and represent material remaining after Mineral Reserves have been removed for reporting separately elsewhere.
(22) Tonnes are reported as millions of metric tonnes ("**Mt**"), diamond grades as carats per tonne ("**cpt**"), and contained diamond carats as millions of contained carats ("**Mct**").
(23) Accounts for all depletions due to production and sampling to December 31, 2015. Mineral Reserves also include forecasted mining losses and dilution.
(24) The Mineral Reserves estimates and the Mineral Resources estimates each reflect a bottom screen size of one millimetre.
(25) Stockpiles are minor run-of-mine stockpiles that are maintained at or near the process plant and are available to maintain blending of kimberlite sources to the plant.
(26) The Diavik Mine Mineral Reserves and Mineral Resources are reported as of December 31, 2015.
(27) Numbers may not add up due to rounding.

Each of the below described mines or projects are considered to be material mineral properties to the Company.

Santa Elena Mine, Mexico

A technical report was prepared for SilverCrest (now First Majestic) in accordance with NI 43-101 entitled "Update to Santa Elena Pre-Feasibility Study, Sonora, Mexico" dated March 31, 2015, having an effective date of December 31, 2014 (the "**Santa Elena Report**").

The following description of the Santa Elena Mine has been sourced, in part, from the Santa Elena Report and readers should consult the Santa Elena Report to obtain further particulars regarding the Santa Elena Mine. The Santa Elena Report is available for review under First Majestic's profile on the SEDAR website located at www.sedar.com. Information in this section that provides non-material updates to the information in the Santa Elena Report has been provided by First Majestic and/or has been sourced from their press releases with respect to the Santa Elena Mine. Certain capitalized terms in this section not otherwise defined have the meanings ascribed to them in the Santa Elena Report.

Project Description, Location and Access

The Santa Elena Mine is currently producing gold and silver from a 3,000 tonne per day operation including ore from the open pit and underground and reprocessing of heap leaching material using a new fully commissioned Merrill Crowe/CCD processing facility. The Santa Elena Mine project involves combined processing of ore from the remaining mineral reserves in the open pit, updated mineral reserves from underground development and reprocessing of spent ore from the existing heap leach pad. Commercial production for the 3,000 tonne per day mill and plant facility was declared on August 1, 2014. Underground development has been ongoing since January 2013 with commercial production declared on October 1, 2014. As of December 2014, the decline had been developed to approximately the 575 metre elevation with development drifts on the 700, 675, 650, 625, 600, and 575 metre levels (elevations above sea level). Underground stope production in late 2014 consisting of long hole stoping of Stope #1 which is located between the 575 to 600 metre levels and preparation and of stope #2 and #3.

The Santa Elena Mine is located in Sonora, Mexico, approximately 150 kilometres northeast of the state capital city of Hermosillo and seven kilometres east of the community of Banámichi. The Santa Elena Mine consists of nine contiguous concessions (the "**Santa Elena Concessions**") covering approximately 9,424.54 hectares registered in the name of Nusantara de México, S.A. de C.V. (" **Nusantara**"), a wholly owned subsidiary of SilverCrest. Nusantara filed the Santa Elena 7 concession, which surrounds the other concessions. All concessions were ground surveyed by a registered land surveyor at the time of staking.

On December 8, 2005, Nusantara entered into an option agreement with Tungsteno de Mexico SA de C.V. (" **Tungsteno**") to acquire a 100% interest in the Santa Elena Mine through staged option payments over five years for a total cost of $4.0 million paid in cash and SilverCrest shares. Payments were completed in August of 2009 with SilverCrest owning 100% of the Santa Elena Mine with no underlying royalties. SilverCrest has maintained all of the necessary permits for exploration and facilities at the Santa Elena Mine. In 2009, the Santa Elena Mine received its Manifestacion de Impacto Ambiental ("**MIA**") and operating permit from Secretaría de Medio Ambiente y Recursos Naturales ("**SEMARNAT**"). Taxes based on the surface area of each concession are due in January and June of each year at a total annual cost of approximately $380,000 and have been paid to date. A further MIA was submitted to SEMARNAT in early January of 2013 for an amendment of the land use licence related to the underground expansion project and was approved in May 2013. The amendment approval allows for tailings facilities that were not previously required for the open pit and heap leach operation.

All mining concessions in Mexico are valid for a period of 50 years. A mining concession in Mexico does not confer any ownership of surface rights. The Santa Elena Concessions are located on Ejido (community or co-op) land, and on November 12, 2007, a lease agreement with the surface owners was signed which allows SilverCrest access and authorization to complete exploration and mine operations activities for 20 years for a maximum of 841 hectares. The annual cost per year ranges from approximately $55,000 to $160,000 dependent on the number of hectares required. Lease obligations have been met to date.

Pursuant to the Santa Elena Gold Stream, 20% of the gold production is forward sold to Sandstorm Gold.

The Santa Elena Mine can be accessed year round by paved highways 90 kilometres east from Hermosillo to Ures, then 50 kilometres north along a paved secondary road to the community of Banamichi, then by a maintained gravel road that runs east for seven kilometres to the mine site.

Climate, Local Resources, Infrastructure and Physiography

The Santa Elena Mine is located on the western edge of the north trending Sierra Madre Occidental mountain range geographically adjacent to the Sonora River Valley. Property elevations range from 800 metres above sea level to 1,000 metres above sea level. The property is located on the range front at a low elevation in relation to the mountains immediately east and west, respectively. Vegetation is scarce during the dry season, limited primarily to juvenile and mature mesquite trees and cactus plants. During the wet season, various blooming cactus, trees and grasses are abundant in drainage areas.

The climate is typical for the Sonoran desert, with a dry season from October to May. Average rainfall is estimated at 300 millimetres per annum. There are two wet seasons, July to September and October to May. The summer rains are short with heavy thunderstorms whereas the winter rains are longer and lighter. Seasonal temperatures vary from zero degrees Celsius to 40 degrees Celsius. Summer afternoon thunderstorms are common and can temporarily impact the local electrical service. Flash flooding is common in the area.

Water for the Santa Elena Mine is available from two wells which were installed and tested in 2009 and 2011. The mine site, including newly completed expansion, has adequate water supply for operations.

A small amount of electrical line power is available from nearby sources that currently supply municipalities and agriculture but is insufficient for the Santa Elena Mine operation. Additional power for production is provided by onsite diesel generators. Provision of grid power is possible in the future, but requires permitting and a significant capital expenditure.

The Santa Elena Mine facilities consist of a seven kilometre main access road from the paved highway and local community of Banamichi, open pit mine (closed April 2014), a new 3,000 tonnes per day CCD/MC processing facility, a waste dump with the estimated permitted capacity of 35 million tonnes, a new 3-stage crusher, a lined and certified leach pad, a lined and certified barren and pregnant solution pond, a lined and certified emergency pond designed for 100 year event, Merrill Crowe plant and refinery (out of commission), an on-site laboratory for production and exploration work, an administration office, a maintenance shop for the mine contractor, a new warehouse for inventory, power magazines, diesel generators (some decommissioned), and all required piping, power and security. The material on the existing heap leach facility will be removed, and there is space on the facility for re-handling of the tailings prior to transport to the waste dump as dry stack tailings. Once pad ore is removed, space will be available for reloading lower grade material for other resources. In January of 2012, the expansion of the Santa Elena Mine from an open pit heap leach operation to an underground mill operation was commenced with ground breaking of the underground portal. As of December 31, 2014, the expansion was completed with all major equipment purchased and the completion of all earthworks for the new processing facility and underground development to approximately the 575 metre elevation. The Santa Elena Mine is located in the foothills of a north-south trending mountain range. Foothills area provides ample space to all required facilities and potential for future expansion.

Northern Mexico has significant precious and base metal mines and there is a significant workforce of trained mining and processing personnel. The communities of Cananea, located approximately 100 kilometres north, and Hermosillo, located 150 kilometres southwest of the Santa Elena Mine, are both considered exploration and mining centres and can provide services for heavy machine purchase and repair, materials fabrication and engineering services and supplies to the Santa Elena Mine. Alternatively, Tucson, Arizona is approximately a four hour drive north across the international Mexican-USA border from the Santa Elena Mine.

History

Although minor amounts of historic production are evident at the Santa Elena Mine, the documentation in support of this work is sparse, not detailed and cannot be relied upon for future projections of economic viability.

Consolidated Fields operated the Santa Elena Mine from the late 19 th century until the onset of the Mexican revolution in 1910. It is estimated that the most extensive underground development occurred during this period. The recent commencement of open cut mining has made the underground workings unsafe to enter. SilverCrest estimates that approximately 35,000 tonnes of the original tailings from Consolidated Fields' operations remain onsite. During the 1960's, Industrias Peñoles S.A de C.V. drilled two or three holes on the property but no records are available for this drilling. During the early 1980's, Tungsteno de Baviacora mined 45,000 tonnes grading 3.5 grams per tonne of gold and 60 grams per tonne of silver from an open cut at the Santa Elena Mine.

After 2003, Tungsteno periodically surface mined high silica/low fluorine material from the Santa Elena Mine. During 2003, Tungsteno conducted an exploration program at the Santa Elena Mine consisting of 117 surface and underground samples. In late 2003, Nevada Pacific Gold Inc. completed a brief surface and underground sampling program with the collection of 119 samples. A report was completed and provided to the owner which was subsequently misplaced. Only the ALS-Chemex assay sheets and a rough location map were available for review. Sample lengths are unclear. In early 2004, Fronteer Development Group ("**Fronteer**") completed an extensive surface and underground mapping and sampling program. A total of 145 channel samples (89 underground and 56 surfaces) were collected and analyzed by ALS-Chemex of Hermosillo, Mexico. This data was used by SilverCrest for early exploration and target development.

SilverCrest acquired the Santa Elena Mine in December of 2005 and the Santa Elena Mine pit has been in commercial production of gold and silver since July 2011.

Geological Setting

Regional Geology

The Santa Elena Mine is located in northwestern Mexico where much of the geology can be attributed to the subduction and related volcanism of the Farallon Plate beneath the North American Plate. The east-directed subduction of the Farallon Plate began approximately 200 million years ago with the tectonic rifting of the supercontinent Pangea. The resulting northwest/southeast trending Sierra Madre Occidental extends from the USA-Mexican border to Guadalajara in the southeast, a distance of over 1,200 kilometres. It is proposed that subduction of the Farallon Plate occurred at a relatively shallow angle, resulting in continental uplift across northern Mexico with accretionary terrains developing along the western fringes. The shallow subduction is also thought to be responsible for the tectonics that produced the Laramide orogeny. Continental arc volcanism culminated with the Laramide orogeny in the early to late Eocene. The waning of compression coincides with east-west directed extension between late Eocene to the early Oligocene along the eastern Sierra Madre Occidental flank and is considered to be the first formation stage of the Basin and Range province. By early to mid-Miocene, extension migrated west into Northern Sonora and along the western flank of the Sierra Madre Occidental resulting in north/northwest striking normal faults. This extensional regime caused major deformation across the Sierra Madre Occidental resulting in exhumation of pre-Cambrian basement rocks, especially in the Northern Sierra Madre Occidental. Northwest trending shear and fault zones appear to be an important control on mineralization in the Sonora region. Mineralizing fluids may have been sourced from Cenozoic intrusions. The structural separation along the faults formed conduits for mineral bearing solutions. The heat source for the mineralizing fluids was likely from the plutonic rocks that commonly outcrop in Sonora. Many significant porphyry deposits of the Sierra Madre Occidental occur in the Lower Volcanics and are correlated with the various Middle Jurassic through to Tertiary aged intrusions. These include Cananea, Nacozari and La Caridad. In Sonora, emplacement of these systems has been influenced by the early Eocene east-west and east/northeast – west/southwest directed extension. The Santa Elena vein has a similar orientation to this extensional trend. The silicic volcanism is thought to be related to fractional crystallisation of mantle sourced basalts from subduction. The five main igneous deposits of the Sierra Madre Occidental are: (a) Plutonic/volcanic rocks: Late Cretaceous-Paleocene; (b) Andesite and lesser Dacite-Rhyolite: Eocene (Lower Volcanic Complex); (c) Silicic ignimbrites: Early Oligocene & Miocene (Upper Volcanic Complex); (d) Basaltic-andesitic flows: late stage of and after ignimbrites pulses; and (e) repeat and episodic volcanic events related to rifting of the Gulf of California (alkaline basalt and ignimbrite) emplaced to western flanks: Late Miocene Pliocene and Quaternary. To the west of the Sierra Madre Occidental are the parallel ranges and valleys that show structural similarities to the extensional tectonic regimes of the Basin and Ranges Province to the east. Elevations in the west are lower than the eastern Provinces, with transition to the Coastal plains and Gulf of California.

Local and Property Geology

The Santa Elena Mine property is located at the northwestern extent of the Sierra Madre Occidental. The primary rock types observed on the Santa Elena Mine are the tertiary andesite and rhyolite flows. These units have been uplifted and strike north-south with a dip of 10 degrees to 45 degrees east/northeast. The volcanic units in the immediate area of the Santa Elena Mine deposit exhibit propylitic to silicic alteration. Within the main mineralized structure, widespread argillic alteration and silicification proximal to quartz veining is present. Within the andesite beds, chloritic alteration increases away from the mineralized zone. The main mineralized zone is hosted within an east-west tending structure cross-cutting the volcanic units. The structure hosts an epithermal quartz calcite vein that has been mapped for approximately 1.2 kilometres in length with a width from one metre to 35 metres averaging approximately 15 metres. The structure dips from 40 degrees to 60 degrees to the south and has been drill-tested to a down-dip depth of approximately 600 metres below surface. Splaying and cross-cutting northwest trending structures appear to influence mineralization at intersections with the main mineralized zone and along a northwest-southeast trending the footwall of the vein. Andesite and granodiorite dikes have been identified at the Santa Elena Mine deposit. The heat source for mineralization is unknown but an intrusive at depth is postulated. The main structure is infilled with quartz veining, quartz veinlets and stockwork, banded quartz, vuggy quartz and black calcite. Breccias are found locally at areas of fault intersections. Adularia has been identified in a few hand-specimens. Iron oxides including limonite, jarosite, goethite and hematite are associated with mineralization. Results of induced polarization, resistivity and magnetometer surveys by Pacific Geophysical Ltd. in 2007 showed that the main mineralized zone is a resistivity high (silica) and induced polarization low (minor sulphides) which can be traced for approximately 1.2 kilometres along strike of the zone.

Interpretation from surface, open put and underground mapping and drill hole intercepts has shown that there are eight major faults directly related to the Santa Elena main mineralized zone.

Exploration

From 2006 to 2015, SilverCrest has completed several extensive exploration programs at Santa Elena. The 2013 - 2014 exploration programs included surface mapping and channel sampling, underground mapping, underground channel sampling and core drilling. The Exploration Department at the Santa Elena Mine completed a more detailed geological map of the open pit, compiling all geological and structural information defining a revised surface exposure of main geological units and structural setting. An underground mapping and sampling program has been ongoing since 2013 at Santa Elena and includes the underground developed areas. The majority of the sampling and mapping has been done in the exploration cross-cuts. As of December 31, 2014, there have been 1,092 samples taken on the 575, 600, 625, 650, 675 levels. These samples were used in geological modelling and visual validation of the interpolation results.

Mineralization

Mineralization occurs as a series of replacement veins, stockworks and hydrothermal breccias typical of other high level low-sulphidation epithermal deposits found in the Sierra Madre. These deposits form in predominantly felsic sub-aerial volcanic complexes in extensional and strike-slip structural regimes. Samples previously collected by various parties including SilverCrest show a geochemical signature of gold + silver + antimony + lead + zinc + barium +calcium +manganese which is consistent with a high calcium, high level, low-sulphidation system. The mineralization is the result of ascending structurally controlled low-sulphidation silica-rich fluids into a near-surface environment. Mineral deposition takes place as the fluids undergo cooling by fluid mixing, boiling and decompression. Brecciation of the mineralized zone appears to be due to explosive venting from an assumed intrusive at depth followed by deposition of the mineralization by ascending fluids.

The structure consists of multiple banded quartz veins and stockwork with associated adularia, fluorite, calcite and minor sulphides. Bonanza ore shoots (greater than 500 grams per tonne of silver and 30 grams per tonne of gold) appear to be locally present but require more definition to determine their full extent. Metal zonation appears to exist with higher grades and thicker mineralized widths near the epithermal boiling zone, one of which daylights in the open pit area. A trend of higher grades and thicker veining is apparent with a plunge of approximately 25 degrees to the east. Drill hole SE-12-74 intersected the vein at approximately 500 vertical metres depth with an average uncapped grade of 1.56 grams per tonne gold and 133 grams per tonne silver over seven metres (not calculated as true width) along this plunging trend from the current open pit operation. Zonation also appears to correspond to northwest-trending cross-cutting structures that intersect the main zone and form high grade shoots. Vertical zonation shows gold content consistent with depth and silver content increasing. At the surface, the silver to gold ratio is 20:1. At 500 metres below surface, the ratio is approximately 100:1. Minor sulphides have been observed in a few locations within the mineralized zone. The andesite in the hanging-wall shows disseminated pyrite averaging 5%. Calcite is found in close proximity to pyrite and averages about the same. Some select locations in the hanging-wall show greater than 30% of finely disseminated pyrite spatially associated with greater than 30% disseminated and veinlet calcite. Hydrothermal breccias exist in the hanging-wall andesites proximal to the Main Zone with drill holes intercepting up to 200 metres of breccia with a pyrite/calcite matrix.

Alteration within the deposit is widespread and pervasive, with the most significant being silicification, kaolinization, and chloritization. Kaolin and alunite has formed primarily along structures and contacts, which are deeply weathered and oxidized. Limonite within the oxide zone consists of a brick-red colour after pyrite, brown goethite and local yellow jarosite. Manganese occurs locally as pyrolusite and minor psilomelane near the surface. Gangue minerals consist of quartz, calcite, adularia, chlorite and fluorite. Analyses shows calcium content of up to 15%.

Drilling

SilverCrest completed four drill programs from early 2006 through 2011. In 2012-2013, SilverCrest targeted delineation of shallow, below-pit mineralization and deep mineralization, mostly trending to the east, with additional drilling and the first underground drilling program to take place at Santa Elena in fall 2013. Three drilling companies were contracted; Major Drilling de Mexico based in Hermosillo, Mexico, Guardian Drilling from Saskatchewan, Canada, and DrilCor based in Durango, Mexico. All companies were involved in surface drilling programs, however, only DrilCor worked with the underground exploration drilling. This drilling focused on delineating and extending the areas along trend and down-dip of the main mineralized zone. Other drilling was located off strike to explore for near parallel mineralization. A total of 20 drill holes were collared using reverse circulation ("**RC**") to expedite hanging wall drilling, then finished with diamond core from approximately 40- 50 metres before the vein target depth through to the barren footwall. This practice was discontinued due to significant deviation in the pre-collared holes. A total of 21 diamond drill ("**DD**") holes (1,590.7 metres) were drilled in the underground 2013 program. A total of 218 holes (72,965 metres including RC with DD tails) were drilled during the 2012-13 program, including holes drilled from within the current pit and the 2013 underground program.

During 2014, SilverCrest targeted infill drilling in the underground area for the initial stopes. This drilling resulted in approximate spacing of about 25 metres in the initial stope area, which was previously around 50 metres, allowing SilverCrest to create a more defined model and giving a better idea of grade distribution. This drilling was completed by Major Drilling de Mexico based in Hermosillo, Mexico and DrilCor based in Durango. A series of additional deep drill holes to both the east and the west of the main mineralized zone were done to focus on the delineation and extension of the ore body to depth and also some drill holes targeting the extension of the El Cholugo and Tortuga vein were completed in 2014. To the date of the New Santa Elena Report, down hole surveys were completed on the majority of the drill holes including all 2014 drill holes both at surface and underground drilling. For the 2014 drilling, surveys were taken at an interval of approximately 30 metres, an initial reading at 10 metres was first taken to ensure no deviation had occurred during set up for the drill rig.

Also in 2012, 10 trenches and subsequent bulk composite samples were excavated using an excavator to an average depth of five metres on the leach pad. Sampling was to test spent ore metallurgy for estimated recovery rates through the milling process.

Sampling and Analysis

The 2006 sampling by SilverCrest consisted of continuous surface channel sampling along exposed road cuts and outcrops. The underground verification channel sampling program consisted of semi-continuous horizontal sampling of identified Fronteer sample locations. The samples were collected over selected intervals, placed in plastic bags and periodically shipped to ALS-Chemex in Hermosillo Mexico for preparation, with sample pulps shipped to and analysed by ALS-Chemex, North Vancouver, BC. The 2006, 2007 and 2008 core drilling procedure included the collection and labelling of the drill core. After logging and identifying the mineralized zone, core was selected for splitting and sampling. The 2008 RC drilling program consisted of collecting chips and cataloguing. The 2012 and 2013 drilling program included procedures for the collection and labelling of the drill core. A total of 15 drill holes were first drilled by RC methods and finished with diamond core tails with a further four drilled purely as RC of HQ size drill core (63.5 millimetres diameter). Although RC cuttings were not retained, a number of samples from the hanging wall were sampled.

The drill core was recovered and stored in vinyl boxes, each of which contains approximately 2.25 metres of core. Drill runs were identified in the field by drillers using markers in the core boxes at three metre intervals. These intervals were validated by SilverCrest geologists. Recovered drill core was boxed by the drillers on-site. The core boxes were collected and delivered twice daily to the on-site core logging facility where the core was logged and sampled by SilverCrest technical staff. Core is currently stored on-site for future viewing and reference. Core logging procedures included review of the core quality and recording of recovery, lithological, geotechnical and mineralogical data within standardized company logging forms. After characterizing the mineralization, SilverCrest geologists marked the start and end of each interval for sampling. The drill core sample lengths range from 0.11 to 36.7 metres (the latter was checked in supplied drill logs as being correct) and mode of approximately two metres. Not all drill holes were entirely sampled. The average sample length used in the 2013 resource is 1.74 metres.

Sample intervals were recorded on the core box with sample tags. The intervals were marked on the drill core which was cut in half by a SilverCrest technician using a diamond saw blade. Half of the core was sealed in a sample bag with the corresponding sample tag. The other half of the core sample was returned to the core box for company record and future viewing. Sample numbers, intervals, and descriptions were recorded on the standardized drill logs. SilverCrest inserted certified reference materials ("**CRMs**"), blanks and duplicates samples at regular intervals into the sampling stream. In addition internal laboratory quality assurance/quality control ("**QA/QC**") procedures were followed.

The 2013-2014 drilling program included procedures for the collection and labelling of the drill core. The entire core was checked to make sure it is placed and oriented well. The core boxes are marked with the start and end of each box run. While doing this the geologists look over the core to have a general idea of the geology and mineralization before starting their description. The core is photographed and logged in detail. The samples are measured based on the above sample requirements and includes the percent recovery within the drill run. There are marker tags put in at the start of each sample. If there is a sample that has no sampling to be done after because of waste rock then a marker is put in to indicate the end of the sample for the core cutter. The core is then cut with an electrical diamond saw into halves. The uncut half of the core is carefully placed back into the correct location in the box. After cutting the interval, samples are placed in a bag marked with the sample number, hole name and project name. The sample identification tag is then placed in the bag and the bag is tied. For standards, CRMs contain known metal concentrations (grade and variability). They are used to assess analytical accuracy and to detect biases by comparing the assay results against the expected grade of the standard. For the insertion of standards, a reference standard was created from the source deposit and processed in CDN Laboratory from that result material were measured out on a scale and put into envelopes containing 100 grams. Lab sheets are filled out and the samples are delivered to the lab. Rejects and pulps are picked up directly from the lab as soon as the assay has been completed and stored in the core storage in Santa Elena. Samples collected, that are to be used for resource or reserve evaluation, should contain a minimum of one kilogram of sampled material when appropriate. Exceptions may include narrow widths sampled in outcrop or core intervals where collecting a one kilogram sample is impractical. However, in these cases the sample must be representative of the total material being assessed.

There are three different sample types taken at the underground Santa Elena Mine. They are:

Channel Samples (chip samples) consisting of:

- *Face Channel Samples*, where: (a) every round of a new development face is sampled, for that purpose the geologist mark the channel to be taken to the geology helpers; (b) this mark is done around 1.5 metres from the floor elevation, from the foot wall to the hanging wall - the channel is divided according the lithology or features of the face, not taking samples greater than 1.5 metres; (c) the sampler takes the samples based on the marked provided by the geologist using a chisel and hammer; (d) to recover the sample the crew use a plastic canvas that is cleaned after every sample is collected; (e) the sample has an identification number that helps recognize the precedence and assay from the lab; and (f) on every face the geologist marks a composite line that is for QA/QC duplicates. A blank sample is introduced every face, usually after the highest grade are identified by the geologist.

- *Back Sample*, where: (a) channels are marked by the geologist every 10 metres long the back to be sampled; (b) From the footwall to the hanging wall - the channel is divided according the lithology or features of the back, not taking samples greater than 1.5 metres; (c) the sampler arrives to the area and takes the samples based on the mark provided by the geologist - these samples are taken on the lifter (tele handler), using a chisel and hammer (d) to recover the sample the crew use a plastic canvas that is cleaned after every sample is collected - this is on the floor of the lifter; (e) the samples have an identification number that help recognize the procedure and assay from the lab.

- *Exploration Crosscuts Sample*, where: (a) this mark is done around 1.5 metres from the floor elevation, from the footwall to the hanging wall – the channel is divided according the lithology or features of the face, not taking samples greater than 1.5 metres, marks are done in both walls of the cross-cut; (b) the sampler arrives to the face and takes the samples based on the mark provided by the geologist using a chisel and hammer; (c) to recover the sample the crew use a plastic canvas that is cleaned after every sample is collected; and (d) the samples has an identification number that help recognize the precedence and assay from the lab.

Muck Samples, where: (a) all the trucks that are sent from UG as ore (from stopes, slashes, development) that are dumped in the stock piles of the primary crusher are sampled; (b) every morning and afternoon the samplers arrive to site and wash the muck; (c) from every muck pile, a 75 centimeter distance grid is marked; they take a sample in all of the intersections of that grid; (d) the sample has an id number that help recognize the precedence and assay from the lab; and (e) QA/QC control consists of rejects resampled from the highest grade samples.

Cuts from Long hole drilling samples, where: (a) the objective is to sample all the holes that are going to be drilled in that shift - the geologist communicates with the operations to know where they are going to be drilling; (b) the person that is in charge of the sample collection has to take a sample of the cuts of the drill hole every two rods (approx. three metres); (c) there are as many bags as the length of the hole, all of the bags have the name of the hole that is being drilled; (d) then the bags are analyzed by the geologist, to choose one or two representative samples - to do that the geologist will use a splitter; and (e) the samples have an identification number that help recognize the precedence and assay from the lab.

For the 2012-2013 sampling, two analytical laboratories were used for sample analyses: Nusantara de Mexico S.A. de C.V ("**Nusantara**"), an on-site grade control laboratory for Santa Elena operations; and ALS-Chemex. Nusantara either prepared and analysed samples, or prepared and transported samples to ALS-Chemex in Chihuahua or Hermosillo for further preparation before being sent to ALS-Chemex in Vancouver for analyses. For the 2013-2014 sampling, three analytical laboratories were used for sample analyses: Nusantara, ALS-Chemex and Inspectorate. Nusantara either prepared and analysed samples, or prepared and transported samples to ALS-Chemex or Inspectorate in Hermosillo for further preparation before being sent to ALS-Chemex or Inspectorate in Vancouver for analyses.

For the heap leach sampling, preparation and analyses for 2012 to 2013, all sampling was carried out by SilverCrest's geologists and sampling protocols adopted the following procedures: (a) plastic bags were placed in a tray in the vertical outlet of the cyclone and into a container to avoid loss of material; (b) full interval was sampled and samples were taken at multiple orders according to the depth of the hole – for holes with a length of 10 and 20 metres, samples were taken every two metres - holes with length of 15 metres, samples were collected every three metres and only one five metre sample was collected for holes with five metre length; (c) all bags were labelled with the corresponding depth; and (d) the samples were delivered to the Santa Elena Mine site lab for splitting to pulverization and additional splitting to generate aliquot for analyses. All samples were handled by geologists at the Santa Elena Mine site. Samples were sent to the Santa Elena Mine lab for analyses. Analytical method for gold included Fire Assay finishing in AA as well as gravimetric analyses for comparison purposes and for silver an Aqua Regia digestion finishing in AA. Blanks and CRM were inserted by exploration personnel prior to the sampling preparation at the Santa Elena Mine lab to carry out a QA/QC protocol in the preparation and analyses of the samples collected by the drilling program on the pad. The results did not indicate deviations from the blanks and CRM assay values.

Data Verification and Security of Samples

Historical data prior to the 2006 SilverCrest drilling campaign is not included in the current geological database.

During April 2006, Scott Wilson Roscoe Postle Associates (" **SWRPA**") collected select samples for verification, including an underground continuous channel sample and quarter splits of drill core and sent to ALS - Chemex in Hermosillo with a regular shipment of core samples. Overall, the grade comparisons are considered to be within acceptable ranges.

In May 2006, SilverCrest collected 15 underground channel samples to verify the sampling results of Fronteer samples. Although there was variation in the data, SWRPA considered it acceptable at this stage of property development to use the Fronteer data in the resource estimate. Gravimetric silver grades were consistently higher compared to both the Fronteer and the SilverCrest silver fire with AA finish results. The result lends support to the higher values. The fire assay with AA results was used in the resource estimate as they were more similar to the Fronteer results which were also used.

In addition to the underground sampling by SilverCrest, SilverCrest completed silver geochemical analyses on 289 surface samples for fire assay AA finish and fire assay gravimetric analyses. Results show an overall 20.3% increase in silver grade using silver gravimetric assays. AA silver results were used in the resource estimation and are considered conservative for grade estimation. For QA/QC, duplicate analyses on 16 of 298 samples were completed at ACME Laboratories in Vancouver on ALS-Chemex pulps from core sampling and preparation. Although the ACME results have a higher detection limit, the limited results on the duplicate pulps show consistent correlation of grades between laboratories. During the 2008 drilling, approximately every 20th sample was duplicated in a different laboratory for QA/QC purposes. The comparison for 2008 drill sample results show average gold and silver results to be similar and within acceptable limits for QA/QC. The authors of the Santa Elena Report are of the opinion that the data meet accepted industry standards and are suitable for use in estimating resources.

EBA Engineering Consulting (now Tetra Tech EBA), visited the Santa Elena Mine between May 10-11, 2012 and October 13-14, 2012 (during the 2012 – 2013 drilling campaign). At this time, rock exposure in the open pit and exploration underground decline were inspected, sample collection and logging procedures were reviewed, verification samples were collected and recommendations for sampling quality control measures were made.

Insertion of CRM at regular intervals was completed by SilverCrest staff during the 2013-2014 Santa Elena Mine drill program. SilverCrest inserted 114 blank samples in a random fashion and near to expected high grade samples during the 2013-2014 drilling program, each blank was labelled "Blank" or "Blanco" in the drill hole data base.

The author of the Santa Elena Report has reviewed the data verification methods at the Santa Elena Mine and believes that the methods meet an industry standard of practice and are sufficient to support estimation of Mineral Resources and Mineral Reserves.

Mineral Processing and Metallurgical Testing

There has been varied metallurgical test work done on the Santa Elena Mine over the last thirty years. More recently, metallurgical test work was carried out by Inspectorate Mining and Metals ("**Inspectorate**") in their Richmond, BC facility on samples from Santa Elena. Inspectorate also generated slurry samples for testing at Pocock Industrial in Salt Lake City for thickening and filtration characterization. Additional test work was carried out in Sonora at the University of Sonora.

As detailed in the Santa Elena Report, extensive metallurgical test work including ongoing operations data show that all declared Mineral Reserves are amenable to conventional leaching by standard CCD milling with a Merrill Crowe recovery system for doré bar production.

Metallurgical Operational Results up to December 31, 2014

The Santa Elena heap leach operation was completed in mid-2014 with the transition to the new CCD/Merrill Crowe (" **CCD/MC**") processing facility. The shutdown of the pad took several months as residual leaching provide metal ounces for production and water balance was adjusted as the new processing facility was brought on line as of December 31, 2014, 3.34 million tonnes of leach pad material remain and has been fully or partial leached with overall recovery rates of 60% gold and 30% silver. The leach pad material or ore is currently being reprocessed through the new processing facility. No crushing is required for this ore with direct feed to a reclaim stockpile area where it is mixed with crushed underground or open pit ore. The new 3,000 tonnes per day conventional CCD/MC processing facility was commissioned between May to August 2014 and commercial production was declared on August 1, 2014. For 2014, a total of 526,525 tonnes grade 1.03 grams per tonne gold and 68.23 grams per tonne silver at recovery rates of 90% gold and 66% silver were processed through the new facility. The overall blend (mix) of pad ore and underground ore was approximately 70/30. The open pit was shut down on April 1, 2014 and not reopen until January 2015, therefore no open pit ore was blended in the new process in 2014. A total of 27,609 ounces of gold and 2,813,559 ounces of silver were produced from the final stages of pad leaching and the new facility in 2014. As of the end of 2014, optimization and efficiencies were underway to improve process throughput and recovery rates. Work is being focused on; 1) ball mill grind size to achieve P80, 80% passing 100 microns with December throughput showing 72 to 74% passing, 2) leach tank cyanidation levels ranging from 750 parts per million to 1200 parts per million, 3) leach tank increased oxidation using air and/or lead nitrates, 4) lab work on silver sulphide mineralogy and metallurgical responses for increased recovery, and 5) process tailings washing to collect and recirculate cyanide back into the process.

Updated Mineral Resource and Mineral Reserve Estimates

The update to the Mineral Reserves and Mineral Resources (open pit, underground and leach pad) for the Santa Elena Mine are shown in the table below. Only Indicated Mineral Resources were used to define Mineral Reserves in the updated mine plan, schedule and economic analyses

To summarize, total Probable Mineral Reserves are 7.45 million tonnes grading 1.23 grams per tonne gold and 78.4 grams per tonne silver, containing 295 thousand ounces of gold and 18.76 million ounces of silver. This represents a 10% decrease in contained gold and 5% decrease in contained silver over previous Probable Mineral Reserves. Updated Indicated Mineral Resources (exclusive of Probable Mineral Reserves) are estimated at 1.1 million tonnes grading 1.39 grams per tonne gold and 89.7 grams per tonne silver, containing 50 thousand ounces of gold and 3.2 million ounces of silver. This represents a 57% decrease in contained gold ounces and 59% decrease in contained silver ounces over previous Indicated Mineral Resources. Updated Inferred Mineral Resources are estimated at 0.56 million tonnes grading 1.69 grams per tonne gold and 106.5 grams per tonne silver, containing 31 thousand ounces of gold and 1.9 million ounces of silver. This represents a 57% decrease in contained gold ounces and 74% decrease in contained silver ounces.

The percentage differences in gold and silver from the previous estimate are based on: (a) a minimal of decrease of overall Mineral Reserves from mining depletion even with base case metal price used for cut off analyses changed from $1,450 per ounce of gold to $1,300 and $28 per ounce of silver to $19.50; (b) a decrease in open pit Mineral Reserves due to mining depletion due to mining from April 30, 2013 to April 1, 2014; (c) an increase in leach pad Mineral Reserves with continuation of open pit mining in 2013 and 2014 and partial leaching (300 day leach cycle) of ore; (d) overall, increase in mine life after mining depletion; (e) Mineral Resources have been impacted by conversion to Mineral Reserves, lower base case metal prices, update geological model incorporating infill drilling, changes in estimation supported by additional drilling completed in 2013; and (f) 2014 and production data generated during the life of mine at the open pit operations.

The following table sets forth the updated estimated Mineral Reserves and Mineral Resources for the Santa Elena Mine sourced from the Santa Elena Report (gold only, excludes silver grades for Sandstorm Gold reporting purposes) as of December 31, 2014:

Classification	**Tonnes** (000s)	**Gold Grade** (grams per tonne)	**Contained Gold** (ounces)
Underground Diluted and Recoverable Reserves [1]			
Probable	3,982	1.67	214,000
Open Pit Reserves [2]			
Probable	122	2.75	11,000
Leach Pad Reserves [3]			
Probable	3,345	0.65	70,000
TOTAL RESERVES	**7,448**	**1.23**	**295,000**
Resources [4]			
Indicated	1,117	1.39	50,000
Inferred	564	1.69	31,000

All numbers are rounded. Underground and Leach Pad Mineral Reserves and Mineral Resources are based onlife of mine plan metal price trends of $1,300 per ounce gold and $19.50 per ounce silver, and metallurgical recoveries of 92% gold and 67.5% silver. All Mineral Resources and Mineral Reserves conform to NI 43-101 and CIM definitions for Mineral Resources and Mineral Reserves. Inferred Mineral Resources have been estimated from geological evidence and limited sampling and must be treated with a lower level of confidence than Indicated Mineral Resources.

(1) Underground Probable Mineral Reserves are based on a cut-off grade of 2.49 grams per tonne gold equivalent with an average estimated 10% dilution and 90% mine recovery. Average true thickness of the designed stopes is ten metres.
(2) Open Pit Mineral Reserve is based on a cut-off grade of 0.20 grams per tonne gold equivalent in a constrained pit shell with applied capping of eight grams per tonne gold and 300 grams per tonne silver.
(3) Leach Pad Mineral Reserve based on production and drill hole data for volumetrics and grade model using a cut-off grade of 0.5 grams per tonne gold equivalent. No capping was applied.
(4) Mineral Resources exclude Mineral Reserves and are based on a 1.5 grams per tonne gold equivalent cut-off grade using assumptions for prices and recoveries as stated above. Capping was applied at 12 grams per tonne gold and 700 grams per tonne silver.
(5) Ramon Mendoza Reyes, P. Eng., Vice President Technical Services for First Majestic, a QP under NI 43-101, has reviewed and approved the Mineral Reserves and Mineral Resources set forth above.

With the update to Mineral Reserves, the Santa Elena Mine life is scheduled to continue for eight years at nominal milling rate of 3,000 tonnes per day with reduced throughput in the last two years upon depletion of leach pad reserves. The mine schedule is based on mining long hole stopes early in the mine life at attractive lower costs with small reserve being mined using cut and fill stopes towards the end of the mine schedule.

Mining Operations, Exploration, Development and Production

Initially, the Santa Elena Mine open pit heap leach mine was constructed in late 2009 and 2010 and was operational from 2010 to 2014. During 2013 and 2014, the open pit heap leach was transitioned into an underground, milling and CCD /Merrill Crowe 3,000 tonne per day processing facility. As of December 31, 2014, all transition projects have been fully constructed, commissioned and commercial production announced. The Santa Elena Mine ore body varies in dip and thickness along strike and at depth. As a result, two well established underground mining methods have been selected for ore extraction, as follows:

Orebody Geometry	Mining Method
Dip > 55 degrees, Thickness > 5 metres	Longitudinal Long hole Stoping (including Avoca)
Dip < 55 Degrees, > 5 metres	Mechanized Cut and Fill

In general, conventional mechanized mining methods have been selected. The basis of the development of the mining methods and consequent equipment selection has been that SilverCrest will undertake production drilling, blasting and loading using a contractor for the waste rock and ore haulage to surface. Initially a contractor will be retained to carry out mine development, with jumbo drill rigs purchased later in the mining life, after which development will be done in house. Approximately 81% of stoping will be by long hole method and 11% by cut and fill methods. Most long hole stopes are produced early in the mine schedule. Average stope width is 10 metres.

Conventional open pit mining will continue using a contractor until the second quarter of 2015 when open pit reserves are depleted. Mining of the heap leach spent ore ("**pad ore**") will be completed by loader and conveyor to transport material to the plant until 2021.

SilverCrest's mining schedule estimates the tonnages to be mined from the underground, open pit and the existing heap leach facility to feed the process plant at a nominal rate of 3,000 tonnes per day. The schedule is based on optimizing higher grade long hole stopes first, with more costly cut and fill mining left for later in the mine life. An underground mining schedule has been developed for the stopes in the reserve model and for development required to access the stopes throughout the life of mine. Peak production is reached in year six. A 50%/50% mix (underground to pad ore) is assumed for the first six years.

Processing and Recovery Operations

The ore from both underground and open pit resources will be processed by conventional milling and cyanide leaching technology. In addition partially leached material from the existing heap leach operations will be blended with open pit and underground ore at a variable rate and reprocessed through the same plant. Santa Elena ore (Open Pit, Underground and Leach Pad) contains an estimated grade of 1.23 grams per tonne gold and 78.4 grams per tonne silver and after crushing and grinding can be leached in cyanide to yield approximately 92% gold recovery and 67.5% silver recovery. Because of the relatively high level of silver in the ore (and hence solutions) there are advantages and benefits to using traditional CCD and Merrill-Crowe for metal recovery rather than CIL/CIP. The partially leached heap ore yielded recoveries of approximately 60% gold and 30% silver when crushed to 10 millimeters and processed on the heap leach (partial leach cycle to Q2 2014). On re-leaching after grinding in the new plant, the balance of the metals are recovered to the level expected from new ore from open pit and underground indicates as 92% for gold and 67.5% for silver. The process plant has been designed to treat a nominal 3,000 tonnes per day of ore, a mixture of freshly mined material and partially leached heap leach residue. The plant has been designed to treat any proportion of these two types of feed.

Infrastructure, Permitting and Compliance Activities

As of December 31, 2014, all transition projects have been fully constructed, commissioned and commercial production announced. Much of the same infrastructure facilities utilized for the open pit mine continue to be used for the new operations, including, but not limited to, access roads, waste dumps, explosive magazines, office buildings, fuel storage facilities, power generation, primary crushing equipment, heap leach pads and solution collection ponds.

Environmental studies have been conducted on the existing open pit excavation occurring at the Santa Elena Mine. An independent Closure and Mine Reclamation Plan was created for the Santa Elena Mine project in March 2010, and updated in January 2014, by Global Resource Engineering Ltd. This initial plan incorporated study results from baseline environmental impact, water quality and geotechnical stability studies for the original open pit, processing and waste dump. The updated plan in 2014 incorporates plans for earthworks in regards to topsoil placement on impacted grounds, earthworks for erosion control, demolition and removal of old buildings. Consideration for mine closure, remediation and ongoing monitoring and stewardship activities are included within the economic model for the Santa Elena Mine. A revision to this closure plan has been recommended.

Capital and Operating Costs

Capital Costs

SilverCrest estimated total sustaining capital costs during the life of mine of $31 million, including contingency, which includes $4.8 million budgeted for surface and underground drilling. SilverCrest estimated total operating costs ranging between $43 and $69 per tonne of ore processed, depending on mining method. The majority of the revised Reserve assumed an approximate 50% underground ore to 50% pad ore blend. An average operating cost based on this assumption is $46.85 per tonne of ore including sustaining capital.

Sustaining Capital Cost, Including Exploration Drilling Expense	
Site Infrastructure	$2,066,200
Mill Sustaining Capital	$1,785,000
Underground waste development expenses	$16,086,600
Underground equipment and infrastructure	$6,236,300
Underground and 2015 surface drilling	$4,783,300
TOTAL CAPITAL COSTS:	**$30,957,400**

Note: All numbers have been rounded.

Operating Costs

Operating costs for the Santa Elena Mine have been estimated for the underground mining, processing costs and general and administrative costs. SilverCrest estimated the life of mine plan operating costs at an average of $46.85 per tonne of ore processed.

Mining Method	**Open Pit**	**Underground Long Hole Average**	**Underground Cut & Fill Average**	**Leach Pad Reprocess**
Process Method	CCD Mill	CCD Mill	CCD Mill	CCD Mill
Mining Cost/tonne (1)	9.90	$28.71	$50.00	$0.00 (2)
Processing Cost/tonne (3)	$24.49	$24.49	$24.49	$24.49
General & Administration/tonne (4)	$5.41	$5.41	$5.41	$5.41

Notes:

(1) Long hole stopes are 89% of designed stopes by volume and cut & fill stopes are 11% of designed stopes by reserve volume. Excludes ore development costs. Includes adjustment for exchange ratio impact in the mining costs.
(2) Mining cost of spent ore on leach pad is covered under processing costs.
(3) Processing includes crushing, milling, site refining and dry stack tailings disposal.
(4) Estimated based on current operations and may vary on an annual basis. A 4% annual inflation rate has been applied to general and administrative costs.

Economic Analysis

The Base Case economic analyses use a range of metal prices per ounce for gold and silver. For gold prices, the range is defined as $1,250 (2015), $1,275 (2016) and $1,300 (2017 – 2022) and for silver prices the range is defined as $18 (2015), $19 (2016), $20 (2017) and $21 (2018 – 2022). On this basis, the following economic highlights for a continued 8 year mine life beginning January 2015 are:

- Total operating revenue of $555 million from estimated sales of 12.6 million ounces of silver and 270,700 ounces of gold.
- Total operating costs of $349 million.
- Estimated cash operating costs averaging $11.59 per silver equivalent (“ **AgEq**”) ounce (gold:silver average ratio of 64.5:1 based on sold ounces for the life of mine plan.

- Total sustaining capital costs of $31 million including the life of mine plan underground drilling programs and 2015 surface exploration expenditures.
- Total pre-tax undiscounted cash flow of $163 million including estimated closure cost deductions of $6 million.
- Pre-tax Base Case pre-tax NPV (5%) of $144 million.
- Post-tax Base Case post-tax NPV (5%) of $119 million.

Metal price sensitivities were completed including spot price as $1,193/ounce gold and $16.16/ounce silver (representing spot price in December, 2014) which showed a pre-tax NPV (DCF @ 5%) of $84.3 million. The economic analyses considers SilverCrest delivering 54,133 ounces of gold to Sandstorm Gold at an average price of $412 per ounce ($350 to $450 per ounce with annual 1% inflationary increases) under the Santa Elena Gold Stream.

Santa Elena Mine Milestones

Current activities at the Santa Elena Mine include ***:***

- In January 2016, First Majestic announced that during the quarter ended December 31, 2015, the Santa Elena Mine exceeded guidance by producing 673,969 silver ounces and 11,110 ounces of gold, for a total quarterly production of 1,506,405 silver equivalent ounces. The mill processed a total of 254,625 tonnes during the quarter, consisting of 127,396 tonnes of underground ore and 127,229 tonnes from the above ground heap leach pad. Gold grades and recoveries averaged 1.47 grams per tonne and 92% respectively. Underground development completed in the quarter totalled 1,738 metres.

Chapada Mine, Brazil

A technical report was prepared for Yamana in accordance with NI 43-101 entitled "Technical Report on the Chapada Mine, Brazil" dated July 31, 2014 (the "**Chapada Report**").

The following description of the Chapada Mine has been sourced, in part, from the Chapada Report and readers should consult the Chapada Report to obtain further particulars regarding the Chapada Mine. The Chapada Report is available for review under Yamana's profile on the SEDAR website located at www.sedar.com.

Information in this section that provides non-material updates to the information in the Chapada Report has been provided by Yamana and/or has been sourced from their press releases with respect to the Chapada Mine. Certain capitalized terms in this section not otherwise defined have the meanings ascribed to them in the Chapada Report. The updated Mineral Reserves and Mineral Resources information to December 31, 2015 has been sourced from Yamana's press release dated February 18, 2016, as filed on SEDAR.

Property Description, Location and Access

The Chapada Mine is located in northern Goiás State, approximately 320 kilometres north of the state capital of Goiania and 270 kilometres northwest of the national capital of Brasilia. It is situated at latitude 14° 14' S, longitude 49° 22' W. The Corpo Sul deposit is situated at the southwest extremity of the Chapada deposit. The Suruca deposit is located six kilometres northeast of the Chapada Mine at approximately latitude 14° 11' S, longitude 49° 20' W.

The Chapada Mine is divided into 16 claims covering 18,921.37 hectares. The claims are held in the name of Mineração Maracá Indústria e Comércio S/A ("**Mineração Maracá**"), a 100% owned subsidiary of Yamana. See also "– Current Exploration and Development".

Yamana (via Mineração Maracá) holds all of the surface rights in the area of the Chapada Mine, which incorporates all of the proposed locations of buildings, fixed installations, waste dumps, and tailing disposal in the current mine plan. Yamana is of the opinion that it can acquire the right to dispose of waste rock and tailings on additional surface property, if and when required. The land ownership is registered with the Registrar of Real Estate in Mara Rosa, Goiás.

Other than statutory royalties which are paid to the Brazilian government based on commercial copper and gold production, as detailed in the Chapada Report, the authors are not aware of any rights, agreements or encumbrances to which the Chapada Mine is subject, which would adversely affect the value of the property or Mineração Maracá's ownership interest. The environmental licensing process for Corpo Sul started in 2013 and the required licences were granted in 2014. No current environmental liabilities have been identified within the mine area. Ongoing items such as waste stockpiles, depleted heap leach piles, and tailings storage facilities will be rehabilitated during the mine life or at the time of mine closure.

Access to the project area from Brasilia is via BR-153 (Belem/Brasilia) to Campinorte (GO) and then via GO-465 (Campinorte/Santa Terezinha) west to Alto Horizonte. The town of Alto Horizonte lies between the Suruca and Chapada deposits. Chapada Airport, suitable for small aircraft with an 800 metres long airstrip, is located close to Alto Horizonte, approximately four kilometres northeast of the Mine. Suruca is located six kilometres northeast of the Chapada Mine.

Climate, Local Resources, Infrastructure and Physiography

The region has a tropical climate characterized by two well defined seasons; the rainy season from November to March and the dry season from April to October, with an annual average rainfall of 1,500 millimetres. The average annual temperature is approximately 22 degrees Celsius. Mining operations occur throughout the year.

The local economic activity is principally agro-pastoral, but there are some small scale mining activities related to gold in alluvium and quartz veins and for clay used to make bricks. The most important towns in the region are Uruaçu, Campinorte, Porangatu, Mara Rosa and Nova Iguaçu de Goiás. They all have good infrastructure to support exploration activities. The municipality of Alto Horizonte has a population of approximately 3,100 and the nearby towns (within 50 kilometres) of Campinorte has 9,700, Mara Rosa 10,400 and Uruaçu 33,300.

Electrical power is provided by the Brazilian National Grid. The power line (230 kilovolt) is 85 kilometres long and taps into the national grid near Itapaci in Goiás State. The Chapada Mine requires approximately 1,000 cubic metres per hour of water. Rio Dos Bois currently supplies approximately 750 cubic metres per hour, with mine drainage water, rainfall, and industrial drainage areas making up the difference.

The average elevation of the project area is approximately 300 metres above sea level. The topography is characterized by low rolling hills, with large contiguous flat areas. The vegetation is referred to as "cerrado", a tropical savannah eco-region which comprises a diverse variety of low tropical trees, shrubs, and native grasses, most of which have been cleared and serves as cattle grazing land for local landowners.

History

The Chapada deposit was discovered in 1973 by a Canadian company, INCO Ltda. (" **INCO**"), which followed up with geochemistry, geophysics, trenching, and initial drilling. There are few outcrops in the mine area due to laterite-saprolite cover. Consequently, deposit definition required extensive diamond drill exploration. Development drilling of the deposit occurred in several campaigns from 1976 through 1996 by INCO, Parsons- Eluma Projetos e Consultoria S/C ("**Parsons**"), a Brazilian copper company, Eluma — Noranda, Santa Elina, and Santa Elina-Echo Bay ("**Echo Bay**"). Historical ownership and exploration activities are summarized below.

Chapada Deposit
Ownership and Exploration Activity

Date	Owner	Activity
1973	INCO	Chapada discovery.
1975-1976		2,000 metres x 500 metres grid drilling program. Parsons acquires a 50% interest in the Chapada project.
1976-1979	INCO & Parsons	200 metres x 100 metres drill grid. A 92 metres deep shaft is completed with 255 metres of cross-cuts for exploration and metallurgical sampling.
1979		Mining concession No. 2394 covering 3,000 hectares is issued to Minerção Alonte by the Departamento Nacional da Prodicao Mineral (“DNPM”).
1980-1981		Soil drilling completed in the plant, tailing ponds, and potential water dam areas.
1981	Parsons	Feasibility Study completed.
1994-1995		A 4,500 metres drilling program re-evaluation of a near surface gold deposit. Preliminary feasibility study by Watts, Griffis and McOuat.
May 1994	SERCOR	Minerção Santa Elina Industria e Comercio S/A (‘**SERCOR**”) acquires the Chapada deposit through a subsidiary, Minerção Maracá.
July 1994	SERCOR and Echo Bay	Echo Bay acquires an initial interest in Santa Elina by purchasing 5% of the outstanding shares from SERCOR.
Dec 1994		Santa Elina completes its initial public offering.
Sep 1995		Santa Elina and Echo Bay approve the Chapada project joint venture. Santa Elina issues about 3% of the outstanding shares to Echo Bay. Echo Bay received the option to acquire 50% interest in the project.
May 1996		Santa Elina is privatized and SERCOR and Echo bay become equal owners of the company.
Dec 1996		Santa Elina completes an in-fill drilling program.
Dec 1997		Independent Mining Consultants, Inc. reviews the Echo Bay model and completes a mine feasibility study.
Jan 1998		Kilborn Holdings Inc. (now SNC-Lavalin Group Inc.), completes the Chapada project bankable feasibility study.
Apr 2001		Construction licence issued.
May 2000	PINUS	PINUS acquires 100% of the Minerção Maracá.
2003	Yamana	The property is purchased by Yamana
2004		The feasibility study is completed.
2007		Commercial production starts.

In 2008, Yamana started a plant expansion to increase throughput from 16 million tons per annum to 22 million tons per annum.

From 2007 to the end of 2013, the Chapada Mine has produced 129 million tonnes grading 0.36 grams per tonne gold and 0.41% copper.

The Suruca deposit has been explored by various companies since the 1970s, as summarized below, and was exploited by garimpeiros in the 1980s. Yamana reports that garimpeiros produced approximately 200 kilograms of gold in that period.

Suruca Deposit
Exploration Activity

Date	Ownership
1980-1981	INCO/Eluma
1987-1988	Cominco
1993-1994	WMC
1996-1997	Santa
2008 to present	Yamana

Geological Setting

The Chapada area is located between the Amazonian craton to the northwest and the San Francisco craton to the southeast, within the north-northeast striking metavolcano-sedimentary Mara Rosa Magmatic Arc which is part of a large system of mobile belts that have a complex, multi-phased history of deformation.

The Chapada, Corpo Sul and Suruca deposits are located in the Eastern Belt of the Mara Rosa volcano sedimentary sequence. The Eastern Belt in the vicinity of the Chapada Mine comprises a thick package of amphibolites succeeded by volcanic and volcanoclastic rocks and overlying metasedimentary rocks. The metavolcanic-sedimentary units are intruded by metaplutonic rocks of dioritic to quartz-diorite composition. These intrusions are associated with magmatic fluids responsible for copper-gold and gold mineralization. The volcanics and sediments have been metamorphosed to biotite and amphibolite schist in the Chapada mineralized area.

In the immediate area of the Chapada deposit, the biotite and amphibolite schist units have been folded into a broad anticline with a north-easterly fold axis. The two limbs of the anticlinal structure dip to the northwest and southeast. There is a minor secondary synclinal fold of the major antiform so that the northeast and southwest ends are somewhat higher than the central zone of the structure in the middle of the deposit. This combination of folds gives the deposit a broad “saddle” shape.

The deposit has undergone hydrothermal alteration typical of a copper-gold porphyry system. Alteration styles include biotitization, sericitization, argillitization, and propylitization.

The bedrock schists are overlain by approximately 25 metres of saprolite material with a minor lateritic component near the top of the saprolite zone. Within that laterite component, there is a ferricrete zone at surface.

The Corpo Sul deposit is located immediately on-strike and two kilometres to the southwest of the Chapada open pit. It is interpreted as another intrusive Copper-Gold Porphyry center, less deformed than Chapada Mine, and associated with an intrusion of Quartz Porphyry Diorite/Tonalite (Potassic alteration), enveloped by a Feldspathic Biotite Schist (Potassic alteration) surrounded by sericite schists (Sericitic alteration). Corpo Sul has largely the same stratigraphic units as found in Chapada, however at Corpo Sul the tuffs and lapilli tuffs are less deformed.

The area is covered by a 30 metre lateritic profile. The lateritic profile comprises an immature lateritic terrain that was subdivided from base to the top in: coarse saprolite, saprolite, mottled zone or argillic zone, lateritic duricrust and pisolitic soils (products of alteration of duricrust).

The Suruca deposit, north of the main Chapada pit, has geology that is grouped from base to top as: Amphibolite, Intermediate Metavolcanic rocks and Metasediments. There are several intrusions of quartz diorite porphyry that occur preferentially in the intermediate metavolcanic rocks and metasediments. Hydrothermal alteration overprints the lithologies and is characterized by inner and outer halos. The inner halo occurs in the intermediate rocks, metasediments and diorites with strong and pervasive sericitic alteration and the outer halo is characterized by propylitic alteration that occurs mainly in the amphibolites.

Mineralization

The primary copper-gold mineralization at Chapada is epigenetic. Copper is principally present as chalcopyrite with minor amounts of bornite. Fine grained gold is closely associated with the sulphide mineralization and was likely to be contemporaneous with the copper.

Copper mineralization occurs as finely disseminated crystals, elongated pods, lenses along foliation, crosscutting stringers, and coarse clots in occasional late stage quartz veins or pegmatites. The copper mineralization and grade are somewhat better in the central zone of the deposit along the anticline axis than in the surrounding anticlinal limbs; however, copper mineralization is pervasive over a broad area. Gold mineralization is more uneven spatially and may have been remobilized by post mineral low temperature alteration events.

The Corpo Sul mineralization includes oxide and sulphide ores. The oxide ore comprises approximately 7% of the deposit and is associated with the weathering surface. The width varies between 20 metres and 40 metres at an average grade of 0.26 grams per tonne gold and 0.35% copper. The oxide mineralization comprises soil, mottled zone, fine saprolite, and coarse saprolite. The sulphide ore represents the majority of the mineralization with widths from 25 metres to 300 metres at an average grade of 0.24 grams per tonne gold and 0.31% copper.

The gold at Suruca is related to folded quartz vein/veinlets with sericitic and biotite alteration, rather than high sulphide concentrations. The second generation of quartz veins/veinlets with sulphides (sphalerite + galena + pyrite), carbonates and epidote also host gold which is related to zinc.

Mineralization predominately pre-dates deformation hence the gold is associated with epithermal features and not structurally controlled.

Exploration

Yamana started exploration work in 2007 with diamond drilling mainly to the east of the pit to check for the extension of the mineralization potentially hosted in a synclinal structure.

In early 2008, consultant Richard Sillitoe defined a genetic model of mineralization with a typical porphyry copper-gold system (Cu-Au-Mo association) that underwent intense isoclinal folding and amphibolite facies metamorphism during continental collision at the end of the Neoproterozoic. However, original mineralogy may not have been profoundly changed, due to the stability of minerals like quartz, anhydrite, pyrite, chalcopyrite, magnetite and biotite under amphibolite facies conditions.

Yamana began exploration work at Suruca in 2008 with geological mapping, chip sampling and shallow drilling at Suruca South.

See also “– Current Exploration and Development”.

Drilling

Yamana commenced drilling the Chapada deposit in 2008. To the end of 2013, Yamana has drilled 344 holes for 73,891 metres. Drilling has delineated the main deposit areas at a spacing of 100 metres by 50 metres, with a tighter 50 metres pattern in the central portion of the deposit.

Chapada Deposit
Drilling

Year	No. Drill Holes	Metres
2008	30	5,126
2009	7	2,352
2010	18	4,373
2011	85	19,305
2012	131	28,568
2013	73	14,167
Total	**344**	**73,891**

The 2008 and 2009 drilling campaigns were concentrated in the region named “Near Mine” and in the south portion of the area. The 2010 and 2011 campaigns targeted the Near Mine and Corpo Sul areas. In 2013, Yamana drilled in the northeast section of Chapada Corpo Principal with the objective of delineating an Inferred Mineral Resource. In Corpo Sul, an infill drilling program was carried out in the southwest portion of the deposit on a 50 metre by 50 metre grid to upgrade Indicated to Measured Mineral Resources and on a 100 metre by 100 metre grid to convert Inferred to Indicated Mineral Resources.

The majority of holes were drilled at an azimuth of 130 degrees and an 85 degree dip. Drill holes with inclination between 45 degrees and 85 degrees were surveyed every three metres downhole using a Deviflex electronic surveying instrument. No significant deviation issues were found.

To date, Yamana has drilled 186 holes for 37,899.16 metres at Suruca, as summarized below.

Suruca Deposit
Drilling

Year	No. Drill Holes	Metres
2008	7	439.5
2009	21	6,457.8
2010*	103	20,476.9
2011	55	10,524.96
Total	**186**	**37,899.16**

* Includes 11 metallurgical holes for 1,014 metres

At Suruca in 2009, Yamana completed successful drilling to test a magnetic anomaly and the area of the garimpeiro workings. The 2010 drilling program focused on delineation of the Suruca deposit at 400 metres by 200 metres spacing followed by infill drilling at 200 metres by 200 metres spacing. An infill program of 100 metres by 100 metres spacing was completed in the north portion of deposit.

The majority of holes were drilled at an azimuth of 130 degrees and a 60 degree dip; some holes were drilled at an azimuth of 310 degrees. Drill holes with inclination between 45 degrees and 85 degrees were surveyed every three metres downhole using a Reflex Maxibor II or Devicom Deviflex electronic surveying instrument. In sub-vertical holes, a PeeWee or EZ- Shot instrument was used. All holes were surveyed and no significant deviation issues were found.

See also “– Current Exploration and Development”.

Sampling, Analysis and Data Verification

Yamana's samples are selected down the entire length of the drill hole core, sawn in half with an electric diamond bladed core saw, and sampled prior to logging. Half core samples are selected by a geology technician or trained sampler. The samples are then placed in a numbered plastic bag along with a paper sample tag, and tied closed with a piece of string. Sample weight is approximately 3.5 kilograms. Six to eight samples are placed in a larger plastic bag, loaded onto a truck owned and driven by a locally based transport company, and driven to the ALS Chemex laboratory sample preparation facility in Goiania, State of Goiás.

After sampling, the geologist completes a graphic log and logs the core in detail for lithology, structure, mineralization and alteration. Codes are assigned for the oxidation state, consistency and alteration including alteration halo, sulphides, silicification, biotite, sericite, epidote, amphibolite, garnet, carbonate, rhodochrosite, chlorite, and kyanite content. Angles of structures such as foliation and faults are recorded.

Approximately four samples from each alteration halo per drill hole are selected for density testwork by two different methods after sampling and logging. The first method used is the water displacement method, performed in the logging shed. The second method, which is gravimetric, is done in the laboratory using pulverized samples.

Sample preparation involves crushing and pulverization. Upon receipt of the samples, each sample is weighed and dried at 100 degrees Celsius for eight to 12 hours. The entire sample is then crushed to 90% passing <2 millimetres (10 mesh), split to 0.5 kilograms in a riffle splitter, and pulverised to 95% passing 150# (mesh). The samples are then split again to 50 grams using a rotating splitter/spatula. The crusher and pulveriser are cleaned between each sample. Each fraction retained is returned to Yamana.

All Yamana samples are analyzed for precious metals by fire assay (" **FA**") with atomic absorption spectrometry (" **AAS**") or ICP finish and for copper by AAS by ALS Chemex, Lima, Peru and/or SGS Geosol, Belo Horizonte, Brazil.

Yamana conducts an industry-standard QA/QC program for its drill campaigns, which follows written protocols. Its QA/QC program consisted of the insertion of blanks and CRMs into the sample stream and the running of duplicate field (quarter-core) samples. Later, pulp duplicate samples were re-assayed at a secondary facility.

As further detailed in the Chapada Report, Yamana's QA/QC program was found to be industry-standard with a generally acceptable rate of insertion for CRMs and pulp duplicates. The results of the pulp duplicate assays showed good reproducibility with no discernible grade biases. The insertion of CRMs showed that laboratory results from SGS Geosol and ALS Chemex were acceptable with respect to precision and accuracy. The results from the insertion of blanks are also generally acceptable.

In 1996 Echo Bay became actively involved in the drilling and sampling program for the project. Samples taken by Santa Elina in 1996 were subject to a rigorous QA/QC program. As detailed in the Chapada Report, a review was undertaken of all historical QA/QC control files and historical data compared with re-assayed data from analytical laboratories in the United States and the review indicated the historical data was appropriate for estimation of Mineral Resources.

As detailed in the Chapada Report, a review was undertaken of the Chapada assay database. This did not involve independent assaying, but did involve a review of considerable existing data. It was found that the database was of sufficient quality for a feasibility level study.

A total of 18 Suruca diamond drill holes from Mineração Alonte were re-analysed following Yamana's procedures. The new assay results were compatible with the historical results.

Samples are transported from the drill rig to Yamana's core storage facilities at the Chapada project exploration camp by the drilling contractor, where Yamana geological staff log and sample the core. The samples are transported to the independent sample preparation facility by a locally based transport company, after which the samples are sent for preparation in ALS Chemex in Goiania, Brazil and for analysis in Lima, Peru. The analytical laboratory stores all pulps and coarse rejects for forty-five days and then transports them back to the Chapada project where all samples are stored in the core storage facility for the life of the project.

Mineral Processing and Metallurgical Testing

There was a significant amount of process testing completed on the Chapada Mine by third parties. The results of this test work provided the basis for the development of a straightforward process flow sheet for treating the ore. Test results indicated that a clean, predominately chalcopyrite concentrate could be produced with associated gold. Tests and design work indicated that a concentrate grade of 28% copper was achievable with acceptable recoveries of copper and gold.

The metallurgical test work included the following major components:

- Mineralogical studies.
- Grinding and Bond Work index tests.
- Grind size versus flotation recovery studies including the evaluation of regrind after rougher flotation.
- Flotation studies to evaluate reagents, pulp density, pH, and residence time.
- Settling tests for thickener design.

Sufficient testing was completed such that a bankable feasibility design was developed for the process plant in 1997. That flow sheet and plant design was used by Yamana's predecessors to obtain an updated turnkey cost estimate for plant construction and operation.

Mining and Milling Operations

The Chapada Mine is a traditional open pit truck/shovel operation that has been in continuous operation since 2007. The Chapada open pit, which is currently being mined, has ultimate design dimensions of approximately 4.5 kilometres along strike, up to 1.2 kilometres wide, and 200 metres deep. Benches are ten metres high, doubling to 20 metres towards the limit of the pit, except in upper benches, where the benches are ten metres high in soil. Six operating phases have been designed to support the mine production from initial topography to the final pit geometry. An in-pit primary crusher was installed, allowing a more flexible operation for ore blending to plant and reducing major truck fleet requirements.

The mine plan includes three open pit mining areas to be developed on the property. Current production is from the Chapada Corpo Principal and Corpo Sul open pits. The Corpo Sul open pit began production in 2014.

Processing and Recovery Operations

The processing plant is located at the northwest end of the Chapada Corpo Principal pit rim. The tailings storage facility is located to the northwest of the open pit, with the pond as close as 0.5 kilometres to the pit rim and the tailings dam being up to five kilometres to the northwest. Waste rock dumps are located to the south and southeast of the open pit. Limits of the waste rock dumps start just past the ultimate pit rim in order to minimize waste haulage distances.

The existing Chapada Mine treatment plant is designed to treat sulphide ore at a nominal rate of 60,000 tpd. The process recoveries for copper and gold averaged approximately 80% and 59%, respectively, from June 2013 to May 2014. Run-of-mine ("**ROM**") material from the Suruca mineralization will be treated and incorporated into the system through two separate processes. The oxide ore will be processed using conventional heap leaching technology, and sulphide ore will be processed in the existing plant after some modifications.

Sulphide Ore

The first step for sulphide material occurs in the primary grinding circuit in two parallel crushing systems. Both systems perform the primary crushing with a P70 of five inches. The ore processed is then transported by conveyor belt to an intermediate stockpile. A feeder conveyor belt delivers the feed to the grinding circuit.

The grinding circuit is divided into four systems:

- Reclaim Ore — Ore taken from the crushed ore stockpile and delivered to the semi-autogenous grinding (" **SAG**") mill.
- Primary Grinding and Pre-Classification — SAG mill grinding and pre-classification using cyclones.
- Pebble Crushing — Transportation and crushing coarse pebbles screened from the SAG mill discharge.
- Secondary Grinding and Classification — Ball mill grinding and classification using cyclones.

The ore is then brought to the flotation process in pulp form with approximately 35% solids. There are two flotation cell lines, rougher and rougher/scavenger. Each cell line produces two concentrates. The tailings from the rougher/scavenger system are sent to the final tailings storage facility. The last step in the process is thickening and filtration. The thickening process reduces the ore concentrate moisture content to an average of 8%. This is discharged in the concentrate storage shed to be loaded and shipped to customers.

Oxide Ore

The crushing circuit consists of two MMD sizers in series and associated equipment. Material is pre-screened ahead of the MMD sizer and crusher product then combines with screen undersize and is conveyed to the crushed product stockpile. Crushed product is then fed to an agglomeration drum. Prior to the drum, cement is added in a controlled fashion and a weak cyanide solution (barren pond solution) is added in the agglomeration drum, and mixed to produce agglomerates which are conveyed and stacked.

The agglomerated material is stacked on pads which are approximately 100 metres wide and 620 metres long. A weak cyanide solution from the barren solution pond is then used to leach the gold from the stacked ore. The solution filters through the agglomerated ore with the gold inherent in the ore leached to produce a gold rich solution. The gold rich solution collects at the base of the pad and is collected in the pregnant solution pond.

Pregnant solution flows through four adsorption columns in series and flows by gravity from one adsorption column to the next. The total residence time in the adsorption columns is in the order of 25 minutes. After acid washing, the loaded carbon is washed and sent to the elution column to remove gold from the loaded carbon. The gold removed from the loaded carbon cools in a flash cell and then reports to the two electrowinning cells in parallel. Gold in solution is removed onto stainless steel cathodes. The stainless steel cathodes are rinsed off with a high pressure washer. The cathode sludge is then filtered, dried in an oven, transferred to the barring furnace and the gold is then poured into molds.

Markets

The principal product at Chapada is a copper concentrate with gold and silver, which is readily marketable on world markets.

Infrastructure, Permitting and Compliance Activities

The Chapada Mine has all required infrastructure necessary for a mining complex including:

- Mine and mill infrastructure including office buildings, shops, and equipment.
- A tailings storage facility with additional capacity for two years with plans for further expansion.
- Electric power from the national grid.
- Haulage roads from the mines to the plant.
- Stockpile areas.
- Maintenance facilities.
- Administrative office facilities.
- Core storage and exploration offices.
- Access road network connecting the mine infrastructure to the town site and to public roads.

It also has all necessary infrastructure for a large open pit mine operation. Mining related infrastructure includes a truck shop, truck wash facility, warehouse, fuel storage and distribution facility, explosives storage and magazine sites, and electrical power distribution and substations to support construction projects and mine operations.

The Chapada Mine operates on a 24-hour per day, 365 days per year schedule. For most operating positions, there are four work crews with three on site at any time working three 8-hour shifts per day. Mining operating manpower is based on approximately four operators for each operating position. Mining manpower for operations, maintenance, and technical services in 2014 was budgeted for approximately 930 staff, employees, and contractors.

Yamana has all of the necessary environmental permits to operate at Chapada including the main operating licence, which was obtained on November 20, 2006. It was renewed on September 29, 2008, and is renewed every few years according to the terms of the regulating body. Further licences will be obtained as required to carry out or expand operations at Chapada.

The licensing process for the development of Corpo Sul began in 2013. The open pit and waste dump licences, legal reserves relocation processes, and deforestation licences were granted in early 2014. The permitting process for the Suruca deposit started with the preliminary licence granted in May 2012. The installation licence was applied for in 2013. See also “– Current Exploration and Development”.

The first version of the plan for mining closure including rehabilitation of the tailings storage facilities, mine sites, waste piles was submitted in 2008 and is revised on a regular basis.

Capital and Operating Costs

Capital Costs

The life of mine capital costs are for capital projects, primarily Suruca and Corpo Sul development, the Chapada in-pit crusher and regrind circuit, and sustaining capital, which includes closure costs. Capital costs are in first quarter 2014 US dollars. The life of mine capital costs for the Chapada Mine are approximately $200 million and sustaining costs are approximately $373 million. An additional $12 million is allocated as exploration to support the expansion of Mineral Resources and Mineral Reserves. Exclusions from the capital and sustaining cost estimate include, but are not limited to: (i) project financing and interest charges, (ii) working capital; and (iii) escalation during construction.

Operating Costs

The Chapada Mine has been in production since 2007. Operating costs are tracked and well understood. Operating costs are estimated for the life of mine, with projected inflationary increases. All in unit life of mine operating costs are estimated at $9.59 per tonne processed. The reductions in operating costs from the 2014 budget will be realized partly as a result of the capital spending discussed in the Chapada Report under Capital Costs. The 2014 budgeted and life of mine operating costs are summarized below:

Cost	2014 $/tonne Processed	Life of Mine $/tonne Processed
Mining	$5.32	$4.32
Processing	$3.68	$3.83
Concentrate Refining/Transport	$1.32	$1.05
G&A	$0.38	$0.34
Other	$0.07	$0.05
TOTAL:	**$10.77**	**$9.59**

Notes:
(1) Excludes allowance for adjustment to stockpiles.
(2) Numbers may not add up due to rounding.

Economic Analysis

The Chapada Report notes that Yamana is a producing issuer, the Chapada Mine is currently in production, and a material expansion is not being planned. An economic analysis of the Chapada Mine and Suruca Project has been conducted using the estimates presented in the Chapada Report which confirm that the outcome is a positive cash flow that supports the statement of Mineral Reserves.

Exploration, Development and Production

The 2014 exploration program at Chapada included a 12,000 metre infill program to upgrade and better define inferred and indicated mineral deposits at Corpo Sul and a 9,700 metre near mine program to explore southwest of the Corpo Sul deposit and elsewhere for new deposits and to test for skarn related deposits close to the main Chapada pit. A total of 13,217 metres were completed in 56 infill holes and 8,194 metres were completed in the near mine exploration program.

The infill programs at Corpo Sul were completed on 50 metre by 50 metre and 100 metre by 100 metre grid patterns and were successful in improving the mineral resource status of the areas drilled. The Near Mine exploration program discovered the Santa Cruz near surface mineral deposit 700 metres southwest of the Corpo Sul pit boundary. The Santa Cruz deposit is currently defined by ten drill holes completed on four northwest drill sections spaced 200 metres apart. Mineral intercepts range from 20 to 70 metres wide containing lower average grades than seen at the Chapada Mine complex. The near mine program also tested for skarn-type mineralization immediately north of the main Chapada pit. Hole NM-101 cut 172 metres of higher than average grade copper and gold porphyry-style mineralization alongside and deeper than the current mineral bodies at Chapada.

Mine Life

The life of mine plan presented in the Chapada Report is based on production tonnes and grade and development requirements, as forecasted by Yamana. The plan, which only considers production from Mineral Reserves, spans a total effective mine life of 24 years.

Current Production

Production at the Chapada Mine in 2015 consisted of 119,059 ounces of gold and 274,533 ounces of silver, contained in concentrate compared to 107,447 ounces of gold and 296,955 ounces of silver contained in concentrate in 2014. Chapada Mine copper production was 131.0 million pounds in 2015 compared to production of 133.5 million pounds of copper in 2014. Lower throughput at the Chapada Mine resulted in lower production.

Yamana continues to pursue efforts to further improve operational performance, with targets to increase recoveries and throughput with minimal expenditures, in addition to the implementation of cost improvement initiatives. In particular, the retrofit of the flotation circuit is on schedule to be completed in the second quarter of 2016, expected to improve flotation recoveries, costs and overall plant availability. Other initiatives in the crushing and grinding circuit are aimed towards improving available time and utilization in these areas.

Updated Mineral Reserves and Mineral Resources to December 31, 2015

On February 18, 2016, Yamana publicly announced their updated Mineral Reserve and Mineral Resource estimates to December 31, 2015 for the Chapada Mine.

The following tables set forth the estimated updated Mineral Resources for the Chapada Mine as of December 31, 2015.

Mineral Resources – December 31, 2015 [1,2,3,4,5,6]

Category	Tonnes *(000)*	Gold (grams per tonne)	Gold (000 ounces)	Tonnes *(000)*	Silver (grams per tonne)	Silver (000 ounces)	Tonnes *(000)*	Copper (%)	Copper (Mlb)
Measured	22,209	0.23	164	-	-	-	14,383	0.22	69
Indicated	225,531	0.26	1,873	82,161	1.4	3,775	143,370	0.24	769
Measured + Indicated	**247,740**	**0.26**	**2,037**	**82,161**	**1.4**	**3,775**	**157,753**	**0.24**	**838**
Inferred	133,118	0.23	972	27,553	1.1	982	105,565	0.29	678

(1) William Wulftange, P. Geo., Senior Vice President of Exploration at Yamana, a QP under NI 43-101, has reviewed and approved the Mineral Resources set forth above.
(2) Mineral Resources Metals Prices and Cut-Off Grades: $1,500 gold, $3.50 copper and $5.17 NSR cut-off out of pit for Chapada Mine (Main Pit, Corpo Sul, Cava Norte and Corpo NE); 0.2 grams per tonne gold cut-off for oxide and 0.3 grams per tonne gold cut-off for sulphide in Suruca Gold Project.
(3) All Mineral Reserves have been calculated in accordance with the CIM Standards and NI 43-101.
(4) Mineral Resources are exclusive of Mineral Reserves. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability.
(5) Reported as of December 31, 2015.
(6) Numbers may not add up due to rounding.

The following tables set forth the estimated updated Mineral Reserves for the Chapada Mine as of December 31, 2015.

Mineral Reserves – December 31, 2015 [1,2,3,4,5]

Category	Tonnes *(000)*	Gold (grams per tonne)	Gold (000 ounces)	Tonnes *(000)*	Copper (%)	Copper (Mlb)
Proven	263,900	0.20	1,738	263,900	0.27	1,555
Probable	315,621	0.23	2,380	256,751	0.26	1,478
Proven + Probable	**579,521**	**0.22**	**4,118**	**520,651**	**0.26**	**3,033**

(1) William Wulftange, P. Geo., Senior Vice President of Exploration at Yamana, a QP under NI 43-101, has reviewed and approved the Mineral Reserves set forth above.
(2) Mineral Reserves Metal Prices and Cut-Off Grades: $1,150 gold, $3.00 copper, $5.17 NSR cutoff (Main Pit, Corpo Sul and Cava Norte); $900 gold, 0.2 grams per tonne gold cut-off for oxide ore and 0.3 grams per tonne gold cut-off for sulphide ore in Suruca Gold Project. Metallurgical recoveries for copper are 83% and gold ranges from 52% to 85% dependent on zone.
(3) All Mineral Reserves have been calculated in accordance with the CIM Standards and NI 43-101.

(4) Reported as of December 31, 2015.
(5) Numbers may not add up due to rounding.

Chapada Mine Milestones

Current activities at the Chapada Mine include ***:***

- In July 2015, Yamana announced an exploration program update for its Chapada Mine. Exploration drilling at the recently discovered Sucupira target continues to support the extension of the high grade gold and copper core, and surrounding moderate to low grade gold and copper halo to the southwest. During the first half of 2015, over 4,230 metres of exploration drilling were completed in 12 holes at the Sucupira target. Drilling at Sucupira has intersected mineral intervals along a 1.1 kilometre northeast-southwest trend and supports the extension of the Cava Norte mineral body for a minimum of 1.5 kilometres to the southwest. This mineral trend remains open to the southwest and to depth and the 2015 exploration drill program has confirmed continuity of the mineralization zone with numerous high grade intercepts.

- In January 2016, Yamana announced its 2016 – 2018 silver and copper production expectations for the Chapada Mine. Yamana stated that silver production from the Chapada Mine is projected to be 270,000–278,000 ounces for 2016, 270,000 ounces for 2017 and 245,000 ounces for 2018. Copper production is expected to be 122 – 125 million pounds for 2016, 122 million pounds for 2017 and 115 million pounds for 2018. Cash costs are forecast to be approximately $2.72 per ounce for silver and $1.32 per pound for copper.

Diavik Mine, Canada

A technical report was prepared for Dominion in accordance with NI 43-101 entitled “Diavik Diamond Mine, Northwest Territories, Canada NI 43-101 Technical Report” dated March 25, 2015, having an effective date of March 18, 2015 (the “**Diavik Report**”).

The following description of the Diavik Mine has been sourced, in part, from the Diavik Report and readers should consult the Diavik Report to obtain further particulars regarding the Diavik Mine. The Diavik Report is available for review under Dominion’s profile on the SEDAR website located at www.sedar.com. Information in this section that provides non-material updates to the information in the Diavik Report has been sourced from their press releases with respect to the Diavik Mine. Certain capitalized terms in this section not otherwise defined have the meanings ascribed to them in the Diavik Report. The updated Mineral Reserves and Mineral Resources information to December 31, 2015 has been sourced from Dominion’s press release dated March 8, 2016, as filed on SEDAR.

Property Description, Location, Access and Infrastructure

The Diavik Mine is located in Canada’s Northwest Territories, approximately 300 kilometres northeast of the city of Yellowknife on the arctic barrenlands. The mine site is situated on a 20 square kilometre island in Lac de Gras, at latitude 64° 30’ North and longitude 110° 20’ West. The Diavik Joint Venture consists of the Diavik Mine and its surrounding exploration properties. A total of 302 mining leases are held in the Diavik Joint Venture which represents a land package of approximately 678,220 acres. There are no known surface rights issues affecting the mine facilities or access to the mineral resources and mineral reserves.

The Diavik Mine is a remote site with strictly controlled access and security. Access to the mine is by air year-round, and by a 425 kilometre ice road that is constructed annually in winter that operates for only eight to ten weeks between January and March. Most of the supplies required for the mine including fuels, lubricants, construction materials and bulk explosives, are transported over this road. For year-round air access, the Diavik Mine has a 1,600 metre long airstrip able to accommodate passenger aircraft and large Hercules-class transports. Personnel are transported to and from the site from several northern communities by small commuter aircraft. Also, weekly service to and from Edmonton is provided by Boeing 737 jet aircraft and Avro RJ85 regional jet. The movement of goods and personnel is supported by strict security controls for the protection of people, the goods, the site, and the organization.

The remoteness of the Diavik Mine requires it to operate like a self-contained community, generating its own electricity and potable water, managing its own wastes including sewage and effluent treatment, maintaining emergency response and medical services, offering site-based recreation and education facilities, and providing wholesome meals and single-occupancy quarters. All of the mine workings, tailings impoundments, mine rock stockpiles, ore processing operations, shops and other service facilities/utilities including dining and accommodations are integrated at a single site.

The Lac de Gras region is north of the tree line in the barrenlands and is characterized by a profusion of shallow lakes large and small, impeded drainage, low relief, and a mix of hummocky boulder-strewn terrain and rock exposures. The elevation of the flat topography typically ranges between 400 to 435 metres above sea level. Lac de Gras itself varies from 4 metres to more than 25 metres deep in the area of the Diavik kimberlites, and forms the headwaters of the Coppermine River system. The area was studied extensively during 1994 to 1997 to develop a knowledge baseline for the local and regional environment surrounding the Diavik Mine.

History

The original Diavik claims were staked by Aber Resources Ltd. in late 1991 and early 1992. Under an option agreement, Kennecott Canada Inc. ("**Kennecott**") acquired the right to earn a 60% joint venture interest which Kennecott exercised following the discovery of four diamond-bearing kimberlite pipes under the waters of Lac de Gras. The Diavik Joint Venture was consummated in 1995 between Kennecott and a predecessor to Dominion, with Kennecott acting as manager. Kennecott assigned its rights and interests in the Diavik Mine to DDMI in 1996. Both Kennecott and DDMI are subsidiaries of Rio Tinto.

The A-21, A-154 North and A-154 South kimberlite pipes were discovered in 1994. The A-418 pipe was discovered in 1995. Subsequently, mini-bulk samples were obtained from the A-154 South, A-154 North, A-418 and A-21 pipes by large diameter core drilling. Additional delineation drilling was also carried out. An underground decline was driven and bulk samples were mined from the A-154 South and A-418 pipes.

The initial mineral resource estimate was completed in 1998, comprised of all four pipes, which was the basis for the Diavik feasibility study prepared during 1999. Following economic analysis of the project, a production decision was taken in 2000 to develop the Diavik Mine.

Construction on site commenced in 2001 and continued into early 2003. Equipment, construction materials, fuel and supplies were trucked to the site on the annual winter road. Site facilities built include an ore processing plant, diesel-fired power generation plant, electrical distribution networks, boiler house, maintenance shops, office complex, accommodation and recreation facilities, fuel storage tanks, processed kimberlite (tailings) containment, water storage and treatment facilities, and an airstrip.

A 3.9 kilometre long water retention dike was constructed around the planned site of the A-154 open pit. After dewatering the pool within the dike, lake-bottom sediments and till overburden were removed to expose the A-154 South and A-154 North pipes for mining. Initial mining and trial processing of kimberlite commenced in November 2002. Commercial production commenced in January 2003 with first sales taking place later that year.

A second dike 1.3 kilometres long was built during 2005 and 2006 around the planned A-418 open pit adjacent to the A-154 open pit. Following dewatering of the A-418 pool, overburden and waste rock stripping began in late 2006 with A-418 kimberlite becoming available for mining during 2008. Mining of the two open pits was concurrent and carried out by the same crew.

During the period 2005 to 2007, a new underground decline was advanced for exploring and sampling the A-418, A-154 North and A-154 South pipes at depth and for collecting engineering data for designing the underground mining of these kimberlites below the open pits. Feasibility studies supported corporate approvals in late 2007 to proceed with underground mining in the three pipes to be phased in as open pit production tapered off. Underground mine development and supporting infrastructure expansions took place from 2008 to 2010.

The open pit portion of A-154 North depleted in 2008, A-154 South finished in 2010 and A-418 ended in late 2012. Against the backdrop of these planned open pit depletions, underground mine production from all three pipes concurrently was 'ramped up' beginning with A-154 North and A-154 South in 2010 and A-418 commencing in 2012 to achieve full underground production by the start of 2013.

The Diavik Mine was designed to process 1.5 million tonnes per year through the plant. After the first year of operation, throughput has consistently exceeded 2 million tonnes processed each year to date with the exception of a planned curtailment for 2009 during a market adjustment.

The A-21 pipe will host a third dike and open pit for Diavik. Construction is expected to commence in 2015. Completion of the dike and pool dewatering is expected in 2018, followed by pre-production stripping leading to first kimberlite production anticipated by the end of 2018. The timing of A-21 in the mine plan does not extend the existing mine life but strengthens the enterprise by complementing production from an increasingly deepening underground mine. The timing of capital expenditure and maximizing of benefit for the mine as a whole were considerations in the strategic timing of A-21.

Geology

The Diavik Mine is located in the central part of the Slave Structural Province which forms a distinct cratonic block within the Canadian Precambrian Shield.

Local geology in the Lac de Gras area contains three main Archean lithologies: (1) greywacke-mudstone metaturbidites, (2) biotite±hornblende tonalite to quartz diorite (2610 – 2600 Ma), and (3) two-mica or K-spar porphyritic granite and granodiorite (2590 – 2580 Ma). The metasedimentary greywacke, siltstone and mudstone rocks exhibit features ascribable to turbidity deposition, including graded beds, and are typical of the metaturbidite domains in the Slave Structural Province. In areas of tonalite to quartz diorite, the principal components are biotite and hornblende and plagioclase but local alteration zones can contain epidote, sericite and chlorite. The two-mica granitoids are believed to be representative of an extensive pan-Slave suite of granite, granodiorite and pegmatite. The granite and granodiorite in the local area vary compositionally and texturally with primary constituents in all phases being quartz, K-spar, plagioclase, muscovite and biotite. Distinctive accessory minerals include tourmaline, apatite and garnet.

Three sets of diabase dykes are present in the area, grouped on the basis of orientation. Typically occurring en echelon within sets, individual dykes are irregular in width and texturally indistinguishable. Dykes are steely dipping and strike northwest, north, and north-northeast.

Kimberlite pipes were intruded into the sequence by much younger, recent volcanic eruptions (54 – 58 Ma) which intruded the older Archean granitoid and metasedimentary rocks of the Slave Craton. The kimberlites and their host rocks were then covered by a Quaternary glacial till which was generally up to 40 metres thick in the immediate vicinity of the pipes.

Mineralization

The mineral resource and reserve for the Diavik Mine consists of four diamond-bearing kimberlite pipes located under water in Lac de Gras. The pipes are relatively small, each having surface expressions less than 200 metres in diameter.

The Diavik kimberlite pipes are made up of three facies. A coherent (hypabyssal) facies was formed by the crystallization of kimberlite magma, often at depth, and has not been explosively emplaced. The pyroclastic facies is interpreted as an explosive air-fall deposit which may have been deposited in water. The volcaniclastic facies was formed by a mixture of pyroclastic deposition and re-sedimentation of pyroclastic kimberlite and host material from a volcanic edifice which flowed back into the open crater remaining after eruption. The pipes also contain varying amounts of host rock dilution which was incorporated during the eruption.

Diamonds are generally included as xenocrysts in kimberlite magma as it was formed and ascended through the upper mantle and crust. As the earth's surface was approached, the kimberlite magma erupted explosively to form the characteristic root-like pipe shape. Abundant kimberlite erupted as pyroclastic ejecta and fell both within and adjacent to the pipe. The pipe was filled with a combination of pyroclastic kimberlite, hypabyssal kimberlite, and mudstone that slumped back into the pipe. At Lac de Gras, the tops of the pipes were removed by continental glaciation. The kimberlites are softer than the surrounding rocks so that depressions were formed after the glaciers retreated and filled with water to become lakes. When the pipes occur under larger lakes, such as Lac de Gras, the pipes typically lie beneath small depressions on the lake bottom.

The kimberlite within each of the Diavik pipes has been subdivided into four to seven geology units for resource modeling. Units were broadly defined with the purpose of correlation across the pipe on a mine scale. The units were defined on the basis of macroscopic criteria, mud dilution, grain size, magnetic susceptibility, and textural and alteration characteristics. These aspects of kimberlite composition can exert control on diamond stone size and stone count, and hence diamond grade (carats per tonne), as well as geotechnical and processing characteristics.

Diamonds are present in all of the kimberlite units with some variation in grade and stone size distributions. For each of the Diavik pipes in the mineral reserve and mine plan, average grades are higher than economic cut-off/break-even so mining selectivity is not required and all of the kimberlite is expected to be mined and processed.

Exploration

Airborne geophysical techniques and heavy mineral sampling in till were applied to identify targets which were ranked for additional exploration by more detailed geophysics and sampling. The most prospective targets were subsequently drilled to define the extent of the kimberlite and for micro-diamond determination. Where results were encouraging, large diameter core drilling was used to obtain mini-bulk samples (6 inch diameter core to depths of 250 metres followed by 3.5 inch diameter (PQ) to the end of hole). This approach led to the discovery of a number of kimberlite pipes which were further tested by small- and large-diameter core drilling. Four of the kimberlite pipes were found to have potentially economic concentrations of diamonds and were subject to mini-bulk sampling by large-diameter core drilling, underground bulk sampling and feasibility studies, culminating in the construction of the Diavik Mine.

Exploration continued after the mine start-up and into operations, until 2013. Activities included additional geophysical surveying, till sampling, sample processing, indicator mineral counts and analyses, mapping and drilling. Many more kimberlites were found but none have been economic to date.

There are currently no active field programs underway on the joint venture leases. A compilation report reviewing all available data on the 67 non-economic kimberlites on the property is in progress.

Drilling and Sampling

Now in advanced stages of production, Diavik's three current production pipes are well delineated except at great depth. The pipes have sharp contacts with the granitoid host rock. Collection of pierce point drill hole data to define the size and shape of the kimberlitic bodies began during initial evaluation activities in 1995. Early delineation efforts supported the calculation of volumes and spatial dimensions leading to the first mineral resource estimate in 1998 and initial mine designs in 1999. Further delineation drilling was conducted in each of the four pipes once mining commenced after 2003, guiding important volume updates and increasing significantly the number of pierce points for resource modeling. Since the start of underground mining in 2010, still more pierce points have been added to the models from ongoing underground probe drilling that has been adopted to delineate the kimberlite boundaries at close range. In addition, as the pipes are mined, exposed contacts are surveyed and these as-mined contact points are also added to the pipe models.

Initial work during 1995 to 1997 included large diameter core (" **LDC**") holes drilled in each pipe to produce sufficiently large samples for macrodiamond (>1 millimetre) analysis. LDC holes were drilled vertically, starting with six-inch core and stepping down to three- to four-inch core at depths of around 250 metres (drilling equipment limitations). Samples were recovered in varying lengths (nominally 15 metres for six-inch core and 25 metres for three- and four-inch core) attempting to maintain consistent sample weight and yielding a minimum of around 30 stones per sample.

Large diameter reverse circulation ("**LDRC**") drilling for bulk sampling has been carried out in all four of the pipes to improve mineral resource and reserve definition since the mine started up. This has provided increased accuracy and confidence in production-scale forecasting for the mine. All of the LDRC holes were vertical with diameters ranging from 13.75 to 24 inches depending on the grade of the pipe.

LDRC drill sampling prior to commencing production was possible for A-154 North, A-418 and A-21. In 2004, an in-pit LDRC program for A-154 North sought to increase local grade confidence in the upper part of the pipe as well as to drill deep LDRC holes to produce a package of diamonds for further price valuation. A-418 was also a focus in 2004 as well as 2005 during which LDRC drilling was conducted from lake ice to the bottom of the open pit that was being planned at the time. LDRC drilling from lake ice was also carried out for A-21, in 2008, to augment an underground bulk sample that had been mined in 2007.

LDRC drilling in A-154 South was performed only as open pit mining was finishing, in 2009, in preparation for underground mining that would commence the following year.

In 2011, in-pit LDRC drilling also took place in A-418 which extended the reserve into the underground mining of the pipe that would commence in late 2012.

In addition to planned drilling programs, ad hoc sampling for 'trouble shooting' in support of production have been carried out. On two occasions – once in A-154 South and once in A-418 – when grade reconciliation was consistently negative for a period of time, a set of mini-bulk samples of approximately two tonnes each were collected on a single bench to examine local grade variability at higher resolution and fill in data gaps in the forecasting models.

Since the transition to underground mining, kimberlite samples are being collected routinely from ore development drifts in A-154 South, A-154 North and A-418 as mining progresses. In areas where grade samples have not been collected previously, two- to four-tonne samples are collected from the mined ore.

The collection, handling, transport, custody and processing of samples is performed under strict security that has been established for the Diavik diamond operations. This includes limited physical access, card-lock controls, strategically located cameras with full-time monitoring, employee search policies and procedures. DDMI has a separate, trained, full time security force.

Mineral Processing and Metallurgical Testing

As a producing mine, the Diavik Mine operation includes a full-scale permanent ore processing plant that treats run-of-mine material and produces rough diamonds. The Diavik ore processing plant has operated continuously since commissioning in late 2002 and has been processing a blend of hard and soft kimberlites from A-154 South, A-154 North and A-418. Production-scale bulk samples mined from the operation – known as 'special batches' – have been treated through the full Diavik process from time to time as mentioned in the Diavik Report. These efforts have provided pertinent insights into the production-scale processing characteristics, the sizes and qualities of stones recovered, the overall grade, and the expected (and different) prices for specific pipes or geological domains.

Furthermore, the metallurgical testing and associated analytical procedures have been planned appropriately and carried out competently, and have provided plausible outcomes supporting the economic viability of the Diavik Mine and the estimation of Mineral Resources and Mineral Reserves. Using the Diavik processing operation itself for metallurgical test work, when studying 'special batch' bulk samples from the mining operation, has provided directly relevant insight into the processing and product characteristics of specific pipes and/or domains and their expected values as they are actually mined and processed. This information contributes to the evaluation and estimation of Mineral Resources and Mineral Reserves for the Diavik Mine.

Mining Operations

The Diavik Mine operates 24 hours per day, 365 days of the year. Crews are resident on site while they work 12-hour shifts for 14 days, then rotate home for 14 days of rest. Four rotating crews cover 12-hour dayshifts, 12-hour nightshifts, on-site and off-site rotation.

Three pipes are in production concurrently: A-154 South, A-154 North, and A-418. The fourth pipe, A-21, is in development with first production anticipated for late 2018.

Mine operation began in 2003 with open pit mining. Diavik became a fully underground mine in late 2012 after a planned three-year transition phase. The three current production pipes are adjacent to one another and share common underground portal access and infrastructure.

Sub-level retreat is the mining method in A-154 South and A-418. This top-down method relies on the competence of the surrounding host rock while the kimberlite within is bulk-mined in a retreating sequence. An increasingly deepening open-air void is left as mining pushes deeper over time. With competent surrounding wall rock and virtually complete removal of kimberlite in a single pass without primary and secondary phases, mined voids are not backfilled.

Blast hole stoping with cemented rockfill is the mining method in A-154 North. The location of A-154 North within the wall of the A-154 open pit and within the foundation rock mass very near the A-154 dike makes the requirement for backfill in this mining method most suitable for overall stability of the integrated pit-dike-underground system. Alternating panels (stopes) of kimberlite on a given level are mined and then backfilled with cemented rockfill. After curing, the remaining secondary panels of kimberlite in between are then mined and similarly backfilled. Levels are mined in a bottom-up sequence so that the rock mass underfoot becomes increasingly strengthened by rising volumes of cemented rockfill as the mining activity over time approaches the critical infrastructure on surface. In addition to the cost for backfill in this mining method, advanced development of access and infrastructure at depth ahead of production is an upfront cost.

The underground mine is mechanized and conventional. Personnel and materials enter and leave the mine through three portals. The mining fleet includes drills, rock bolters, scooptrams, haulage trucks, personnel carriers and vehicles, and various specialized utility pieces. Daily activities include drilling, blasting, loading and hauling, backfill handling, and mine drainage activities.

Blast-hole stopes are planned 25 metres high and sub-level retreat stopes are also 25 metres. Both mining methods take place simultaneously and multiple faces are in production from more than one level.

Ore (and waste) from underground is brought to surface at the portal entrances by underground haulage trucks and placed in designated piles. The "portal muck" is then picked up by front-end loader and put onto surface haulage trucks – kept in service from the earlier open pit mining – and taken to the ore processing plant (or waste rock storage, if waste rock).

A-21 production in the near future will bring open pit mining back to Diavik. Much of the surface mining fleet has been retained and kept in running condition, and many of the operators remain available on site. The A-21 open pit has been designed and will be mined similarly to the A-154 and A-418 open pits. Benches in the two completed pits and for A-21 are 10 metres high. Catchment berms in the final walls are located every three benches, and the 'triple-benched' 30 metre walls are pre-sheared (pre-split) in a single 30 metre pass. The daily activities of drilling, blasting, loading, hauling, dozing and dewatering are supported by drills, excavators, 240- ton (216-tonne) and 100-ton (91-tonne) haulage trucks, dozers, graders and service vehicles.

All permits and approvals necessary to operate the Diavik Mine are in place. Upcoming renewals are known and proactive efforts are underway. Environmental stewardship is sound and in good standing with no breaches or non-conformances. Mine reclamation research is being conducted and interim mine closure plans are in place with financial security arrangements established to satisfy the estimated reclamation liabilities.

Environmental Considerations

A full-time environmental staff is responsible for monitoring, directing and reporting environmental matters. The Diavik Mine has at all times since inception been in compliance with all permits and there are no outstanding liabilities or charges known at this time. The environmental management system has achieved ISO 14001 certification.

The Interim Closure and Reclamation Plan ("**ICRP**") for the Diavik Mine was submitted to and accepted by federal regulators prior to production start-up. Scientific research in a number of areas has been ongoing as well as community engagement and a quest for more inclusion of traditional knowledge. ICRP Progress Reports are prepared and submitted annually to report on the progress of these initiatives, and to date there have been three updates and resubmissions of the ICRP itself.

Mine closure plan submission, research programs, closure cost estimate, liability assessment and financial security for closure obligations are in place and up to date. To the date of the Diavik Report, there have been no breaches or non-compliances in environmental or closure related regulations.

Processing and Recovery Operations

The processing plant uses no chemicals or reagents. Gravity-based methods rely on the relatively heavier weight of diamonds to separate them. The process involves crushing, screening, separation in dense media (ferro-silicon) and x-ray sorting. The recovered diamonds are separated and packaged by size, weighed, secured in a vault to await transport, packed into a special container and flown discreetly but under security escort to the mine's high-security facility in the city of Yellowknife. In Yellowknife the diamonds are cleaned, sorted and split into DDDLP's 40% share and DDMI's 60% share. The cleaning and sorting facility's quality management earned ISO 9001 certification.

Capital and Operating Costs

Capital Costs

The Diavik Mine development continues with the decision to proceed with the A-21 dike and open pit. The engineering and costing have been completed to full feasibility detail. Dike construction is phased over three seasons, 2015 to 2017, followed by open pit pre-production overburden stripping in 2018 and first deliveries of - kimberlite to the processing plant later that year. Including a 15% contingency and allowance for escalation in real terms over the four-year construction period, the project was estimated in 2014 to cost C$385.6 million (of which C$0.8 million was to be sunk during 2014). Although A-21 is the smallest of the four Diavik kimberlite pipes, the dike will be in waters deeper than for the other dikes; the cost to build the dike takes up most (more than 80%) of the total A-21 capital cost. The A-21 dike and open pit will be Diavik's third, and will be built in-house largely with local workers. Since production began at the Diavik Mine, capital expenditures have been made annually to sustain the operation and fund mine developments required for continued production. The Diavik Mine capital plan is a five-year detailed plan that is budgeted annually with quarterly reviews and updates. Capital cost estimates approved for inclusion in the five-year business plan are required to be based on firm quotes and/or first principles to support feasibility levels of accuracy and must also include the associated indirect costs, owner's costs, contingencies, freight and any commissioning costs. Moreover, each capital expenditure or project is required to demonstrate a valid business case or else have some other compelling justification. A well- established internal due diligence process is in place and in use. For longer-term business planning, the five-year capital plan is projected ahead with consideration for the rate of mining, camp population and overall scale of activity on site. As such, capital cost assumptions beyond the immediate five-year plan can include conceptual estimates and placeholder allowances especially toward outer years. The capital cost assumptions for the Diavik Report reflect prevailing estimates in the current business model for the Diavik Mine. The below table summarizes the profile of expenditure for the A-21 mine development capital, expressed in 2015 dollars (2014's C$0.8 million sunk amount does not appear).

Estimated capital costs, C$ millions (100% JV basis)

Calendar Year	Development C$ millions	Sustaining C$ millions	TOTAL C$ millions
2015	65.6	70.6	136.1
2016	116.3	61.1	177.4
2017	131.1	61.7	192.7
2018	79.1	45.1	124.2
2019	0.3	42.9	43.2
2020	——	31.7	31.7
2021	——	6.2	6.2
2022	——	1.6	1.6
2023	——	——	——
2024	——	——	——
TOTALS:	**392.3**	**320.9**	**713.2**

Operating Costs

Operating costs represent the normal and recurring costs of production. Five-year forecasts of operating costs are based on regularly updated (quarterly) first-principles calculations provided by or through each of the function heads of the Diavik Mine, based on an agreed and management-approved updated mine plan. Approval of each area's five-year operating budgets includes a process of internal scrutiny and challenge by peers and senior management. Business planning beyond five years is not undertaken by operations personnel but is done at a business-wide level by strategic planners and financial analysts. As such, life-of-mine operating cost assumptions beyond year 5 are modeled values based on the detailed five-year operating budgets and corresponding mine plan. Most areas of the operation have fixed as well as variable costs. While the variable portion of operating costs may vary linearly with cost drivers, fixed costs would not. Therefore, at an overall level, different categories of operating costs for the Diavik Mine vary with cost drivers in different ways and not always linearly. For the Mineral Reserves in the Diavik Report and the schedule of mining and processing envisioned for them, the below table depicts modeled estimates of the associated operating costs by year in Canadian dollars and in real terms. Because the production schedule for the Mineral Reserves in the Diavik Report is not the current five-year plan (but mimics it), the operating costs for the first five years are only a modeled replica of the current business plan.

Modeled operating costs, C$ millions (100% JV basis)

Calendar Year	Underground Mining	Open Pit Mining	Ore Processing	Site Support & Corporate	Private Royalties	Marketing Costs	TOTAL OPERATING
2015	181.5	——	42.4	174.0	21.6	15.7	**435.1**
2016	185.4	——	42.4	174.0	20.9	15.7	**438.4**
2017	187.4	——	42.4	174.0	21.9	15.7	**441.4**
2018	179.2	10.9	42.4	174.0	22.1	15.7	**444.4**
2019	169.3	68.3	42.4	174.0	22.3	15.7	**492.1**
2020	165.2	47.4	43.6	175.2	23.8	15.7	**470.9**
2021	158.5	38.4	44.8	176.3	23.8	15.7	**457.1**
2022	106.6	28.4	44.8	176.3	24.4	15.7	**396.3**
2023	85.1	16.2	26.7	152.4	9.3	7.8	**297.4**
Totals	**1,418.2**	**209.7**	**372.0**	**1,550.3**	**189.6**	**133.4**	**3,873.1**

Note: *Mine closure costs not shown; they are incurred after the end of production and extend for a number of years afterward.*

Economic Analysis

A discounted cash flow analysis summary is contained within the Diavik Report. In that model, future cash flows are discounted to reflect present-day dollars with the discounting applied neither to the beginning nor the end of a year but to mid-years. The discounted cash flow analysis indicates positive economics for the Mineral Reserves over the remaining productive life of the Diavik Mine, ending in 2023. Assuming mid-year discounting using a 7% discount rate, the net present value is nearly $2.3 billion. The cash flow model shown in the Diavik Report is presented solely to indicate the economic viability of the Mineral Reserves in the Diavik Report. It is not a forecast of either the Diavik Joint Venture's or DDDLP's share of cash flow from the Diavik Mine. The Diavik Mine is a well-established operation in production with cash flows that are immediately positive and sufficiently robust such that the forecasted capital investments are self-funded. Hence, payback and rate of return are not relevant at this stage of the project.

Production

Production at the Diavik Mine is currently from the underground mining of three ore bodies concurrently: A-154 South, A-154 North, and A-418. Future production will include a fourth ore body, A-21, which is in development as an open pit.

In calendar 2014, 7.2 million carats of diamonds were recovered from more than 2.2 million tonnes processed (on a 100% basis). The increase in carats from the original 2014 calendar plan of approximately 6.9 million carats was largely due to an increase in plant throughput from a planned mining rate of 1.9 million tonnes in 2014 to 2.1 million tonnes as the underground mine continued its strong operating performance.

The mine plan for calendar year 2015 foresaw Diavik Mine production (on a 100% basis) of approximately 6.7 million carats from the mining and processing of approximately 2.1 million tonnes of ore. Mining activities will be exclusively underground with approximately 0.8 million tonnes expected to be sourced from A-154 North, approximately 0.4 million tonnes from A-154 South and approximately 0.9 million tonnes from A-418 kimberlite pipes. In addition to the 6.7 million carats produced from underground mining there will be production from coarse ore rejects ("**COR**"). This additional production is not included in Dominion's Mineral Reserves, and is therefore incremental. Based on historical recovery rates, the tonnage of COR which is planned to be processed during calendar 2015 would have produced 0.3 million carats.

Cumulative production from the Diavik Mine to December 31, 2014 totaled 91.1 million carats of diamonds (100% basis).

Markets

DDMI's share of Diavik diamonds is marketed and sold separately through its parent, Rio Tinto, whose diamond marketing and sales organization is well-established with 30 years of experience in the diamond industry and a loyal customer base. Dominion – and its earlier corporate incarnations including the Harry Winston brand – has a strong reputation in the market and maintains a preferred position as a supplier of rough diamonds to cutters and polishers around the world. Dominion has a solid track record in marketing and selling its 40% share of Diavik diamonds. For an individual stone, price is determined based on several criteria including colour, clarity, shape and size, based on a proprietary Price Book which is reviewed and updated up to several times per year following each sale.

Updated Mineral Reserves and Mineral Resources to December 31, 2015

On March 8, 2016, Dominion publicly announced an updated Mineral Reserve and Mineral Resource statement to December 31, 2015 for the Diavik Mine.

The following table sets forth the estimated updated Mineral Resources for the Diavik Mine as of December 31, 2015. The values shown are for 100% of the Diavik Joint Venture:

Mineral Resources [1,2,3,4,5,6]

Kimberlite Pipe	Measured Mineral Resource			Indicated Mineral Resource			Inferred Mineral Resource		
	Mt	cpt	Mct	Mt	cpt	Mct	Mt	cpt	Mct
A-154 North Underground	—	—	—	—	—	—	0.5	2.4	1.2
A-154 South Underground	—	—	—	—	—	—	0.3	3.0	0.8
A-418 Underground	—	—	—	—	—	—	0.3	2.4	0.7
A-21 Open pit	—	—	—	0.4	2.6	1.0	0.8	3.0	2.3
Totals	—	—	—	**0.4**	**2.6**	**1.0**	**1.8**	**2.8**	**5.0**

(1) Keith Laskowski, MSc., Vice President Technical Services for Sandstorm Gold and a QP under NI 43-101, has reviewed and approved the scientific and technical disclosure regarding the Diavik Mine contained in this AIF.
(2) Totals may not add up due to rounding.
(3) Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
(4) Mineral Resources are reported exclusive of Mineral Reserves, and represent material remaining after Mineral Reserves have been removed for reporting separately elsewhere.
(5) This Mineral Resources estimate reflects a bottom screen size of one millimetre.
(6) Tonnes are reported as Mt, diamond grades as cpt, and contained diamond carats as Mct.

The following table sets forth the estimated updated Mineral Reserves for the Diavik Mine as of December 31, 2015. The values shown are for 100% of the Diavik Joint Venture:

Mineral Reserves [1,2,3,4,5]

Pipe	Proven Mineral Reserve			Probable Mineral Reserve			Proven and Probable Mineral Reserve		
	Mt	cpt	Mct	Mt	cpt	Mct	Mt	cpt	Mct
A-154 North Underground	4.1	2.4	9.7	4.7	2.4	11.1	8.8	2.4	20.8
A-154 South Underground	0.3	3.2	1.1	1.2	3.4	4.0	1.5	3.3	5.1
A-418 Underground	2.6	4.1	10.9	2.0	2.9	5.8	4.6	3.6	16.7
A-21 Open pit	3.7	2.7	10.0	—	—	—	3.7	2.7	10.0
Stockpile	0.1	3.5	0.3	—	—	—	0.1	3.5	0.3
Sub-Total - Underground	**7.1**	**3.1**	**21.7**	**7.9**	**2.7**	**20.9**	**14.9**	**2.9**	**42.6**
Sub-Total – Open Pit	**3.7**	**2.7**	**10.0**	**—**	**—**	**—**	**3.7**	**2.7**	**10.0**
Sub-Total - Stockpile	**0.1**	**3.5**	**0.3**	**—**	**—**	**—**	**0.1**	**3.5**	**0.3**
Total Reserves	**10.8**	**3.0**	**32.0**	**7.9**	**2.7**	**20.9**	**18.7**	**2.8**	**52.8**

(1) Keith Laskowski, MSc., Vice President Technical Services for Sandstorm Gold and a QP under NI 43-101, has reviewed and approved the scientific and technical disclosure regarding the Diavik Mine contained in this AIF.
(2) Totals may not add up due to rounding.
(3) Tonnes are reported as Mt, diamond grades as cpt, and contained diamond carats as Mct.
(4) Accounts for all depletions due to production and sampling to December 31, 2015. Mineral Reserves also include forecasted mining losses and dilution. This Mineral Reserves estimate reflects a bottom screen size of one millimetre.
(5) Stockpiles are minor run-of-mine stockpiles that are maintained at or near the process plant and are available to maintain blending of kimberlite sources to the plant.

Dominion stated that because more than one mining method is underway in the underground mine, dilution and losses are a function of the method used, experience and observation. The future A-21 open pit is expected to have dilution and losses similar to those achieved during Diavik's first decade as an open pit operation. New data from surveying along with the results of new samples taken in active mining areas were incorporated into the updated Mineral Reserve and Mineral Resource models in calendar 2015. There were three new samples taken in A-154 South, 16 new samples taken in A-418 and four new samples taken in A-154 North. Beyond the active mining areas of A-154 North, a further 53 samples were collected from a drilling campaign to access deeper regions. This resulted in the amount of A-154 North Probable Mineral Reserves more than doubling to approximately 4.7 million tonnes (11.1 million carats) through the promotion of Inferred Mineral Resources and the addition of new kimberlite at depth. A-21 is in development as an open pit and is on track to commence production in the second half of 2018.

Diavik Mine Milestones

Current activities at the Diavik Mine include***:***

- On December 2, 2015, Rio Rinto unveiled one of the largest diamonds ever discovered in Canada. The 187.7 carat gem-quality rough diamond, known as the Diavik Foxfire, was discovered at the Diavik Mine. The Diavik Foxfire has also been bestowed an indigenous name, Noi?eh Kwe, which references the strong ties to the land and its legacy.

- In January 2016, Dominion announced that 6.4 million carats of diamonds were recovered in calendar 2015 from the Diavik Mine. The development of the A-21 pipe continues to progress according to plan and a new mine plan and budget for calendar 2016 is under review by Rio Rinto and Dominion. The preliminary mine plan for calendar 2016 (on a 100% basis) is for 2.1 million tonnes to be mined, 2.1 million tonnes to be processed and 7 million carats to be recovered.

DIVIDENDS

The Company currently intends to retain future earnings, if any, for use in its business and does not anticipate paying dividends on the Common Shares in the foreseeable future. Any determination to pay any future dividends will remain at the discretion of the Company's Board of Directors and will be made taking into account its financial condition and other factors deemed relevant by the Board. The Company has not paid any dividends since its incorporation.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

The authorized share capital of the Company consists of an unlimited number of Common Shares. As of March 30, 2016, 137,930,795 Common Shares are issued and outstanding.

Holders of Common Shares are entitled to receive notice of any meetings of shareholders of the Company, to attend and to cast one vote per Common Share at all such meetings. Holders of Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Common Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of Common Shares are entitled to receive on a pro rata basis such dividends, if any, as and when declared by the Company's Board of Directors at its discretion from funds legally available therefor and upon the liquidation, dissolution or winding up of the Company are entitled to receive on a pro rata basis the net assets of the Company after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with the holders of Common Shares with respect to dividends or liquidation. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

Warrants

Publicly Traded

During the financial year ended December 31, 2015, the Company had a series of 19,429,649 warrants outstanding, pursuant to which each five (5) warrants entitled the holder to purchase one Common Share at a price of $5.00 until October 19, 2015 (the "**2010 Warrants**"). The 2010 Warrants were listed and posted for trading on the TSX under the symbol "**SSL.WT.A**" until October 19, 2015, when they expired in accordance with their terms.

As of December 31, 2015 and as of the date hereof, the Company has:

(a) a series of 5,002,500 warrants outstanding pursuant to which one (1) warrant entitles the holder to purchase one Common Share at a price of $14.00 until September 7, 2017 (the "**2012 Warrants**") - the 2012 Warrants are listed and posted for trading on the TSX under the symbol "**SSL.WT.B**"; and

(b) a series of 5,043,900 warrants outstanding pursuant to which one (1) warrant entitles the holder to purchase one Common Share at a price of $4.00 until November 3, 2020 (the "**2015 Warrants**") - the 2015 Warrants are listed and posted for trading on the TSX under the symbol "**SSL.WT**".

The 2012 Warrants and the 2015 Warrants are each governed by the terms of a warrant indenture (the " **Warrant Indentures**") which provides for adjustment in the number of warrant shares issuable upon the exercise of the 2012 Warrants and the 2015 Warrants warrants and/or the exercise price per warrant share upon the occurrence of certain events. From time to time, the Company and the warrant agent under the Warrant Indentures, without the consent of the holders of the 2012 Warrants and the 2015 Warrants, may amend or supplement the Warrant Indentures for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of the 2012 Warrants and the 2015 Warrants. For further details, please refer to the full text of the respective Warrant Indentures which are filed on SEDAR at www.sedar.com.

Non Publicly Traded

As of the date hereof, the Diavik Warrants and the Yamana Warrants are each outstanding, both of which are exercisable upon the holders having achieved certain development and/or production criteria.

TRADING PRICE AND VOLUME

The Common Shares are listed and posted for trading on the TSX under the symbol " **SSL**" and on the NYSE MKT under the symbol "**SAND**". None of the Company's above-mentioned publicly traded warrants (**SSL.WT.A**, **SSL.WT.B** and **SSL.WT**) are or were listed and posted for trading on the NYSE MKT.

Common Shares

The following table sets forth information relating to the trading of the Common Shares on the TSX for the most recently completed financial year.

Month	High (C$)	Low (C$)	Volume
January 2015	5.300	3.830	8,836,904
February 2015	5.140	4.120	3,877,025
March 2015	4.650	3.330	4,846,396
April 2015	4.690	4.130	3,575,062
May 2015	4.480	3.880	3,796,006
June 2015	4.230	3.610	2,573,060
July 2015	4.150	2.880	3,232,094
August 2015	4.120	3.040	4,522,519
September 2015	3.900	3.190	3,281,089
October 2015	4.060	3.400	4,201,634
November 2015	3.700	3.360	3,072,941
December 2015	3.870	3.490	2,712,880

The price of the Common Shares as quoted by the TSX at the close of business on December 31, 2015 was C$3.60 and on March 29, 2016 was C$4.32.

Warrants

SSL.WT.A

The following table sets forth information relating to the trading of the 2010 Warrants on the TSX for the most recently completed financial year until the date of their expiration (October 19, 2015).

Month	High (C$)	Low (C$)	Volume
January 2015	0.210	0.140	663,727
February 2015	0.195	0.120	346,255
March 2015	0.130	0.070	539,766
April 2015	0.110	0.020	538,190
May 2015	0.060	0.030	535,508
June 2015	0.045	0.010	1,021,218
July 2015	0.030	0.010	450,129
August 2015	0.020	0.005	412,240
September 2015	0.010	0.005	92,300
October 1 – 19, 2015	0.005	0.005	114,000

SSL.WT.B

The following table sets forth information relating to the trading of the 2012 Warrants on the TSX for the most recently completed financial year.

Month	High (C$)	Low (C$)	Volume
January 2015	0.840	0.600	74,118
February 2015	0.800	0.530	51,636
March 2015	0.570	0.300	149,492
April 2015	0.380	0.260	160,432
May 2015	0.385	0.300	15,450
June 2015	0.350	0.300	13,734
July 2015	0.350	0.170	190,466
August 2015	0.300	0.150	163,833
September 2015	0.240	0.135	172,941

Month	High (C$)	Low (C$)	Volume
October 2015	0.200	0.120	244,402
November 2015	0.145	0.090	93,917
December 2015	0.195	0.120	44,833

The price of the 2012 Warrants as quoted by the TSX at the close of business on December 31, 2015 was C$0.17 and on March 29, 2016 was C$0.145.

SSL.WT

The following table sets forth information relating to the trading of the 2015 Warrants on the TSX for the months indicated during the most recently completed financial year.

Month	High (C$)	Low (C$)	Volume
November 3 – 30, 2015	0.950	0.500	1,393,773
December 2015	1.090	0.780	258,120

The price of the 2015 Warrants as quoted by the TSX at the close of business on December 31, 2015 was C$0.92 and on March 29, 2016 was C$1.40.

DIRECTORS AND OFFICERS

The following table sets forth the name, province/state and country of residence, position held with the Company and principal occupation of each person who is a director and/or an executive officer of the Company.

Name, Province/State and Country of Residence	Position(s) with the Company	Principal Occupation
Nolan Watson British Columbia, Canada	President, Chief Executive Officer and Director since September 2008; Chairman of the Board since January 2013	Chairman of the Board, President and Chief Executive Officer of the Company.
David Awram British Columbia, Canada	Director since March 2007; Executive Vice President from July 2009 to January 2013; Senior Executive Vice President since January 2013	Senior Executive Vice President of the Company.
John P.A. Budreski (1) (2) (3) British Columbia, Canada	Director since June 2009	President and Chief Executive Officer of Morien Resources Corp.; Executive Chairman of EnWave Corporation.
David E. De Witt (1) (2) (3) British Columbia, Canada	Director since April 2008; Lead Independent Director since January 2013	Independent Businessman; Chairman of Pathway Capital Ltd. ("**Pathway**").
Andrew T. Swarthout (1) (2) Arizona, United States	Director since March 2009	Chief Executive Officer and Director of Bear Creek Mining Corporation.
Mary L. Little (2) (3) Colorado, United States	Director since June 2014	Independent geological consultant.
Erfan Kazemi British Columbia, Canada	Chief Financial Officer since August 2011	Chief Financial Officer of the Company.

(1) Member of the Audit Committee.

(2) Member of the Corporate Governance & Nominating Committee.
(3) Member of the Compensation Committee.

Each director's term of office expires at the next annual meeting of shareholders of the Company or when his/her successor is duly elected or appointed, unless his/her term ends earlier in accordance with the articles or by-laws of the Company, he/she resigns from office or he becomes disqualified to act as a director of the Company.

The principal occupations, businesses or employments of each of the Company's directors and executive officers within the past five years are disclosed in the brief biographies set forth below.

Nolan Watson – Chairman of the Board, President and Chief Executive Officer. Mr. Watson has been the President and Chief Executive Officer of the Company since September 2008 and its Chairman since January 2013. From May 2010 to May 2014 (when Sandstorm Metals was acquired by the Company), Mr. Watson was President and Chief Executive Officer of Sandstorm Metals and its Chairman from January 2013 to May 2014. From July 2008 to September 2008, Mr. Watson was an independent businessman. From April 2006 to July 2008, Mr. Watson was the Chief Financial Officer of Silver Wheaton Corp. ("**Silver Wheaton**"). Mr. Watson was the Corporate Controller of Silver Wheaton from 2005 to 2006. Mr. Watson is a Chartered Financial Analyst Charterholder, a Fellow of the Institute of Chartered Accountants of British Columbia, and he holds a Bachelor of Commerce degree (with honours) from the University of British Columbia.

David Awram – Senior Executive Vice President and Director. Mr. Awram was Executive Vice President of the Company from July 2009 to January 2013 and has been its Senior Executive Vice President since January 2013. Mr. Awram was Executive Vice President of Sandstorm Metals from January 2010 to January 2013 and then its Senior Executive Vice President from January 2013 to May 2014. From July 2008 to July 2009, Mr. Awram was an independent businessman. From May 2005 to July 2008, Mr. Awram was the Director of Investor Relations for Silver Wheaton. Prior to May 2005, he was Manager, Investor Relations with Diamond Fields International Ltd. from April 2004 to April 2005. He holds a Bachelor of Science degree (Honours) in Geology from the University of British Columbia in 1996.

John P.A. Budreski – Director. Mr. Budreski has been the President and Chief Executive Officer of Morien Resources Corp. since November 2012 and Executive Chairman of EnWave Corporation since June 2014. He was a Managing Director and a Vice Chairman with Cormark Securities Inc. from 2009 to 2012. He was the President and Chief Executive Officer of Orion Securities Inc. from 2005 to 2007. Prior to this, he filled the roles of a Managing Director of Equity Capital Markets and Head of Investment Banking for Scotia Capital Inc. from March 1998 to February 2005 after starting out as a Managing Director of US Institutional Equity Group for Scotia Capital. He also held senior roles in investment banking and equity sales and trading for RBC Dominion Securities and worked for Toronto Dominion Bank. He holds an MBA from the University of Calgary and a Bachelor of Engineering from TUNS/Dalhousie.

David E. De Witt – Lead Independent Director. Since October 2004, Mr. De Witt has been a co-founder and Chairman of Pathway, a Vancouver-based private venture capital company. Mr. De Witt graduated with a BComm/LLB from the University of British Columbia in 1978 and practiced corporate, securities and mining law until his retirement from the practice of law in January 1997. He currently holds directorships in a number of public companies involved in the natural resource field and has experience in resource projects located in Latin America, North America and Asia.

Andrew T. Swarthout – Director. Mr. Swarthout has been the Chief Executive Officer and a director of Bear Creek Mining Corporation since 2003. He was also its President until February 2011 and then again from August 2013 to present. Mr. Swarthout was a Director of Rio Cristal Resources Corporation from December 2006 to September 2013 and he was a Director of Esperanza Resources Corp. from May 2012 to August 2013. Formerly he was an officer and member of the management committee of Southern Peru Copper Corporation from 1995 to 2000 where he participated in decision making during a dynamic period of corporate expansions, financing and project development. Mr. Swarthout served as a member of the National Mining Society of Peru's Committee for the Promotion of Private Investment, where he initiated favourable environmental and taxation policies to promote foreign mining investment in Peru. Mr. Swarthout graduated in 1974 from the University of Arizona with a Bachelor of Geosciences degree and he is a Professional Geologist.

Mary L. Little – Director. Ms. Little has been an independent geological consultant since 2014. Formerly, she was a director, Chief Executive Officer, President and founder (from October 2003 to May 2014) of Mirasol Resources Ltd., a precious metals company focused on exploration in Latin America. On March 11, 2015, Ms. Little became a director of Pure Energy Minerals Ltd. Her industry experience includes 15 years in Latin America with major mining companies Newmont, Cyprus Amax and WMC Ltd., where she held management positions including Business Development Manager and Country Manager. Ms. Little has extensive experience in the exploration and evaluation of epithermal precious metals deposits, as well as porphyry and sediment-hosted mineral environments. Ms. Little has also served as trustee for the Society of Economic Geologists Foundation from 2010 to 2014. She holds a M.Sc. degree in Earth Sciences from the University of California and an MBA from the University of Colorado.

Erfan Kazemi – Chief Financial Officer. Since August 2011, Mr. Kazemi has been the Chief Financial Officer of the Company and he was the Chief Financial Officer of Sandstorm Metals from August 2011 to May 2014. Formerly, Mr. Kazemi was a Senior Manager at PricewaterhouseCoopers LLP where he worked commencing in January 2005 (as an Associate) until June 2011 and where he managed the audits of billion dollar multinational entities and co-authored several publications. In the community, Mr. Kazemi is a former member of the Vancouver Public Library Board and of the University of British Columbia Board of Governors. Mr. Kazemi is a Chartered Financial Analyst Charterholder, a Chartered Accountant and he also holds a Bachelor of Science (Mathematics) from the University of British Columbia.

As at March 29, 2016, the directors and executive officers of Sandstorm Gold, as a group, beneficially owned, directly and indirectly, or exercised control or direction over, 2,123,351 Common Shares, representing approximately 1.54% of the total number of Common Shares outstanding before giving effect to the exercise of options, restricted share rights or warrants to purchase Common Shares held by such directors and executive officers.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Company, no director or executive officer of the Company, is, or within ten years prior to the date of this AIF has been, a director, chief executive officer or chief financial officer of any company (including Sandstorm Gold) that,

(i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially control of the Company,

(i) is, or within ten years prior to the date of this AIF has been, a director or executive officer of any company (including Sandstorm Gold) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, other than John P.A. Budreski, who was a director of EarthFirst Canada Inc. ("**EarthFirst**") until March 2, 2010. EarthFirst was engaged in the development of wind power and related generation facilities, when it obtained creditor protection under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") on November 4, 2008. The CCAA process has now been completed and EarthFirst amalgamated with another entity and no longer exists as a separate entity. In addition, Mr. Budreski became a director of Colossus Minerals Inc. (" **Colossus**") in late March of 2014 pursuant to the terms of, and upon the completion of, a Court supervised restructuring. Prior to Mr. Budreski joining the Board of Colossus, Colossus had failed to file its requisite disclosure materials with the applicable regulatory bodies and, on April 29, 2014, the Ontario Securities Commission issued a cease trade order against Colossus. As of the date hereof, the cease trade order remains in effect; or

(ii) has, within ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

To the best of Sandstorm Gold's knowledge, and other than as disclosed in this AIF, there are no known existing or potential material conflicts of interest between Sandstorm Gold and any director or officer of Sandstorm Gold, except that certain of the directors and officers serve as directors and officers of other public companies and therefore it is possible that a conflict may arise between their duties as a director or officer of Sandstorm Gold and their duties as a director or officer of such other companies. See "Description of the Business - Risk Factors - Risks Relating to the Company - Conflicts of Interest".

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described below, no directors, executive officers or principal shareholders of Sandstorm Gold or any associate or affiliate of the foregoing have had any material interest, direct or indirect, in any transactions in which Sandstorm Gold has participated since January 1, 2013, which has materially affected or is reasonably expected to materially affect Sandstorm Gold.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is Computershare Investor Services Inc. at its principal offices in Vancouver, British Columbia and Toronto, Ontario. The co-transfer agent and registrar for the Common Shares in the United States of America is Computershare Trust Company, N.A. in Golden, Colorado.

The warrant agent for the 2012 Warrants and the 2015 Warrants is Computershare Trust Company of Canada at its principal offices in Vancouver, British Columbia and Toronto, Ontario.

MATERIAL CONTRACTS

The only material contracts entered into by the Company within the financial period ended December 31, 2015 or since such time or before such time that are still in effect, other than in the ordinary course of business, are as follows:

1. The (a) termination agreement dated May 7, 2015 among the Company, Luna, Mineração Aurizona, Sandstorm Gold (Canada) Ltd. and Sandstorm Gold Bank Limited with respect to the restructuring with Luna, and (b) the Aurizona royalty agreement dated May 7, 2015 among Luna, Mineração Aurizona and Sandstorm Gold (Canada) Ltd. with respect to the Aurizona Project NSR. See “General Development of the Business - Mineral Interests - Aurizona Gold Stream” for further details.

2. The Santa Elena Gold Stream. See “General Development of the Business - Mineral Interests - Santa Elena Gold Stream” for further details.

3. The Amended and Restated Credit Agreement dated February 7, 2013 between the Company and The Bank of Nova Scotia, Bank of Montreal and National Bank of Canada. See “General Development of the Business – Credit Facility” for further details.

4. The Diavik Royalty purchase agreement. See “General Development of the Business – Mineral Interests – Diavik Mine Royalty” for further details.

5. The Copper Purchase Agreement and the Silver Purchase Agreement. See “General Development of the Business – Mineral Interests – Multi-Asset Stream with Yamana Gold Inc.” for further details.

INTERESTS OF EXPERTS

Qualified Persons Under NI 43-101

Ramon Mendoza Reyes, P. Eng., Vice President Technical Services for First Majestic, a qualified person under NI 43-101, has reviewed and approved the scientific and technical disclosure relating to the Santa Elena Mine contained in this AIF.

William Wulftange, P.Geo., Senior Vice President of Exploration of Yamana, a qualified person under NI 43-101, has reviewed and approved the scientific and technical disclosure relating to the Chapada Mine contained in this AIF.

Keith Laskowski, MSc., Vice President Technical Services for the Company, a qualified person under NI 43-101, has reviewed and approved the scientific and technical disclosure relating to the Diavik Mine contained in this AIF.

Each of the aforementioned firms or persons are independent of the Company (with the exception of Mr. Laskowski), and held either less than 1% of the outstanding Common Shares or no securities of the Company or of any associate or affiliate of the Company at the time of preparation of the respective reports and/or at the time of the preparation of the technical information contained in this AIF and did not receive any direct or indirect interest in any securities of the Company or of any associate or affiliate of the Company. None of the aforementioned persons are currently expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company, other than Mr. Laskowski who is an employee of the Company.

Auditors

Deloitte LLP are the independent auditors for the Company. Deloitte LLP have advised the Company that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia and the rules and standards of the PCAOB and the securities laws and regulations administered by the SEC.

AUDIT COMMITTEE

The Company's Audit Committee is responsible for monitoring the Company's systems and procedures for financial reporting and internal control, reviewing certain public disclosure documents and monitoring the performance and independence of the Company's external auditors. The committee is also responsible for reviewing the Company's annual audited financial statements, unaudited quarterly financial statements and management's discussion and analysis of financial results of operations for both annual and interim financial statements and review of related operations prior to their approval by the full board of directors of the Company.

The Audit Committee's charter sets out its responsibilities and duties, qualifications for membership, procedures for committee member removal and appointment and reporting to the Company's Board of Directors. A copy of the charter is attached hereto as Schedule "A" to this AIF.

The following are the current members of the Committee:

John P.A. Budreski	Independent (1)	Financially literate (1)
David E. De Witt	Independent (1)	Financially literate (1)
Andrew T. Swarthout	Independent (1)	Financially literate (1)

(1) As defined by National Instrument 52-110 *Audit Committees* ("**NI 52-110**").

Relevant Education and Experience

As noted above, each member of the Audit Committee is financially literate, i.e. has the ability to read and understand financial statements. Collectively, the Audit Committee members have the education and experience to fulfill their responsibilities as outlined in the Audit Committee Charter.

Set out below is a description of the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member.

John P.A. Budreski – Mr. Budreski has been involved in capital markets since 1987 and has acted as an advisor or consultant on a variety of capital markets matters. From 2009 to 2012, he was a Managing Director and a Vice Chairman with Cormark Securities Inc. He was the President and Chief Executive Officer of Orion Securities Inc. from 2005 to 2007. Mr. Budreski's work has required extensive review and analysis of financial statements. He graduated in 1981 from TUNS/Dalhousie with a Bachelor of Engineering degree and then in 1986 from the University of Calgary with an MBA degree.

David E. De Witt – Mr. De Witt is a founding partner and the Chairman of Pathway Capital Ltd., a private venture capital company which was founded in October 2004. He has been a director and officer of numerous publicly traded companies since 1991 and his work has required extensive review and analysis of financial statements. Mr. De Witt graduated in 1975 from the University of British Columbia with a Bachelor of Commerce degree and then in 1978 with a Bachelor of Laws degree.

Andrew T. Swarthout – In addition to being a Director of the Company, Mr. Swarthout has been the Chief Executive Officer and a Director of Bear Creek Mining Corporation since 2003. He was a Director of Rio Cristal Resources Corporation from December 2006 to September 3013 and a Director of Esperanza Resources Corp. from May 2012 to August 2013. These are all publicly traded companies and Mr. Swarthout's work has required extensive review of financial statements. Mr. Swarthout graduated in 1974 from the University of Arizona with a Bachelor of Geosciences degree and he is a Professional Geologist.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on any exemption from NI 52-110.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors of the Company.

Pre-Approval Policies and Procedures

The Audit Committee's charter sets out responsibilities regarding the provision of non-audit services by the Company's external auditors. This policy encourages consideration of whether the provision of services other than audit services is compatible with maintaining the auditor's independence and requires Audit Committee pre-approval of permitted audit and audit-related services.

External Auditor Service Fees

The aggregate fees billed by the Company's external auditors in each of the last two financial years are as follows:

Financial Year Ending	*Audit Fees*	*Audit-Related Fees (1)*	*Tax Fees*	*All Other Fees*
2015 (December 31)	$283,984 (C$393,057)	NIL	NIL	NIL
2014 (December 31)	$255,755 (C$296,700)	NIL	NIL	NIL

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the management information circular of the Company dated April 2, 2015 filed on SEDAR at www.sedar.com. This information will also be contained in the management information circular of the Company to be prepared in connection with the Company's 2016 annual meeting of shareholders currently scheduled to be held in June 2016 which will be available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. Additional financial information is provided in the Company's audited consolidated financial statements and management's discussion and analysis for the financial year ended December 31, 2015.

SCHEDULE "A"

SANDSTORM GOLD LTD.

(the "Company")

AUDIT COMMITTEE CHARTER

I. Mandate

The primary function of the Audit Committee (the "**Committee**") is to assist the Board of Directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company's systems of internal controls regarding finance and accounting, and the Company's auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, the Company's policies, procedures and practices at all levels. The Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Company's financial reporting and internal control system and review the Company's financial statements.
- Oversee the audit of the Company's financial statements.
- Review and appraise the performance of the Company's external auditors.
- Provide an open avenue of communication among the Company's auditors, financial and senior management and the Board of Directors.

II. Composition

The Committee shall be comprised of three or more directors as determined by the Board of Directors. Each of these directors shall be independent as required by the applicable rules of the Company's regulators. No member of the Committee is permitted to have participated in the preparation of the financial statements of the Company or any current subsidiary at any time during the past three years.

If permitted by applicable stock exchange laws and regulations in effect from time to time, one director who (i) is not independent as defined and required under applicable stock exchange rules, and (ii) is not a current employee or an immediate family member (as defined under applicable stock exchange rules) of such employee, may be appointed to the Audit Committee if the Board, under exceptional and limited circumstances, determines that membership on the Audit Committee by the individual is required in the best interests of the Company and its stockholders. In such event, the Board will disclose in the Company's next annual proxy statement the nature of that director's relationship with the Company and the reasons for that determination. A director appointed to the Committee pursuant to this exception may not serve in excess of two consecutive years and may not chair the Committee.

Each member of the Committee will be able to read and understand fundamental financial statements. At least one member of the Committee shall have accounting or related financial management expertise to qualify as a financial expert. A financial expert is a member who understands generally accepted accounting principles and financial statements; can assess the general application of such principles in connection with the accounting for estimates, accruals, and reserves; has experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the registrant's financial statements, or experience actively supervising one or more persons engaged in such activities; understands internal control over financial reporting; and understands audit committee functions.

The members of the Committee shall be elected by the Board of Directors. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

III. Meetings

The Committee shall meet at least quarterly , or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee will meet at least annually with the Chief Financial Officer and the external auditors in separate sessions.

IV. Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

Documents/Reports Review

1. Review and update this Charter annually.

2. Review the Company's financial statements, MD&A and any annual and interim earnings, press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

3. Review the expenses of the Chief Executive Officer on an annual basis.

External Auditors

4. Review annually, the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Committee as representatives of the shareholders of the Company.

5. Obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Company.

6. Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.

7. Take, or recommend that the full Board of Directors take, appropriate action to oversee the independence of the external auditors.

8. Recommend to the Board of Directors the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval.

9. At each meeting, consult with the external auditors, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.

10. Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.

11. Review with management and the external auditors the audit plan for the year-end financial statements.

12. Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:

    i. the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent of the total amount of revenues paid by the Company to its external auditors during the fiscal year in which the non-audit services are provided;

    ii. such services were not recognized by the Company at the time of the engagement to be non-audit services; and

    iii. such services are promptly brought to the attention of the Committee by the Company and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Committee.

    Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval such authority may be delegated by the Committee to one or more independent members of the Committee.

Financial Reporting Processes

13. In consultation with the external auditors, review with management the integrity of the Company's financial reporting process, both internal and external.

14. Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.

15. Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditors and management.

16. Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.

17. Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.

18. Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements. Where there are significant unsettled issues, the Committee shall ensure that there is an agreed course of action for the resolution of such matters.

19. Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.

20. Solicit and review complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.

21. Review certification process.

22. Allow for the solicitation of confidential and/or anonymous submissions by employees of the Company of concerns regarding questionable accounting or auditing matters.

23. Review any related-party transactions.

General

24. The Committee shall be empowered to retain independent counsel and other advisers as necessary to carry out its duties.

25. The Committee shall be provided appropriate funding from the Company, as determined by the Committee, for payment of compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit review or attest services for the Company, to any advisers employed by the Committee, and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

APPROVED by the Audit Committee of SANDSTORM GOLD LTD. on May 3, 2012.

APPROVED AND ADOPTED by the Board of Directors of SANDSTORM GOLD LTD. on May 3, 2012.

Exhibit 99.2

Q4— ANNUAL REPORT 2015

SANDSTORM GOLD

WHO WE ARE

At Sandstorm we are a forward thinking team that is focused, diligent and nimble, providing innovative financing alternatives to mining companies with high quality assets in order to deliver strong risk adjusted returns to shareholders. Risk analysis (including technical, financial, social and environmental) and opportunity identification (including exploration and operational upside) are the foundational building blocks of our business model. We focus on long-term growth, not short term success and although our team is small, we think big. At our core, we value integrity, trust, innovation, creativity and hard work. We are continually adapting and improving to ensure we become the resource sector's best risk-adjusted cash flow investment vehicle.







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Summary of Quarterly Results
Quarterly Commentary

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CORPORATE & SHAREHOLDER INFORMATION

STOCK EXCHANGE LISTINGS

Toronto Stock Exchange
TSX: SSL

New York Stock Exchange
NYSE.MKT: SAND

TRANSFER AGENT

Computershare Investor Services
2nd Floor, 510 Burrard Street
Vancouver, British Columbia
V6C 3B9
T 604 661 9400

AUDITORS

Deloitte LLP
Suite 2800, 4 Bentall Centre
1055 Dunsmuir Street
Vancouver, British Columbia
V7X 1P4

T 604 669 4466
F 604 685 0395

CORPORATE SECRETARY

Christine Gregory

CORPORATE OFFICES

Vancouver Head Office
Suite 1400, 400 Burrard St.
Vancouver, British Columbia
V6C 3A6

T 604 689 0234
F 604 689 7317

info@sandstormltd.com
www.sandstormgold.com

Toronto Office
Suite 1110, 8 King St. East
Toronto, Ontario
M5C 1B5
T 416 238 1152

Barbados Office
2nd Floor, Lime Lifestyle Centre
Holetown, St. James
BB24016
West Indies, Barbados

BOARD OF DIRECTORS

Nolan Watson
David Awram
David De Witt
Andrew T. Swarthout
John P.A. Budreski
Mary L. Little

TO OUR SHAREHOLDERS,

The inherent cyclicality of the mining industry is such that investor interest can swing from hysteria to apathy, and back to hysteria in relatively quick succession. Amid this volatility, it is those companies who position themselves as buyers in periods of depressed asset valuations (like what we saw during 2015) that can create long-term wealth for their shareholders.

When the resource market began to turn negative a few years ago, we were excited about the potential for Sandstorm to acquire attractive assets at depressed valuations. We knew that if we managed our balance sheet and were patient, there would be opportunities for foundational growth and for company defining acquisitions. We expected there to be some pain along the way, as comes with every bear market, but at the outset of 2015, it felt like the challenges that we had faced were mostly behind us and that we were entering a year where our focus would be forward. As it turned out, we witnessed one of the busiest years on record for stream and royalty finance and saw asset valuations reach levels far below what many market experts thought was probable.

With our available cash, credit facility and incoming cash flow, we were able to aggressively pursue transactions and I'm pleased that the result was the allocation of over US$200 million and the acquisition of 30 new streams and royalties (an additional 55 royalties were added subsequent to year-end). The new assets have added stable cash flow, contributed meaningful asset diversification and provided a significant upgrade in terms of the strength and stability of our mining company counterparties. In 2016, over 80% of our cash flow will be generated by precious metals and diamonds and by 2019 that percentage will surpass 85%. In addition, over 80% of our annual cash flow is expected to come from operations run by major and mid-tier mining companies. Altogether, we believe that we have made a number of acquisitions on strong assets, with significant exploration upside and with quality countrparties, resulting in 2015 being transformative for the company and our shareholders.

Our acquisition activity was matched by exploration success in the portfolio. An internal study completed by our technical team determined that brownfields and greenfields exploration on ground covered by our stream and royalty



interests, generated more value than the ounces that were produced during the 2015 year. Even in down markets and with reduced exploration budgets, we continue to be the beneficiaries of exploration upside, without having to make additional capital contributions to those efforts. I am also encouraged that our royalty portfolio has grown to include 90 exploration stage assets. Although little to no value is being attributed to these projects by the market at present, these assets represent seeds of upside that we believe, in some cases, will take root and grow into meaningful value contributors.

To fund our 2015 acquisitions, we deployed the bulk of our cash and fully drew down on our revolving credit facility. With the help of a modest equity raise we reduced the debt position to US$83.5 million by year-end and because of our belief in the importance of a strong balance-sheet, our goals have shifted for 2016. We intend to exercise financial discipline and use the majority of our free cash flow to pay down debt. At the same time, we want to continue growing our diversified portfolio of gold streams and royalties and we are therefore looking to raise cash by monetizing non-core assets.

Going into 2016, I am encouraged as Sandstorm's asset base and cash flow have never been more diversified, our counterparty risk has never been lower, our portfolio has never before had so much precious metals optionality and I believe that there is significant growth ahead for the company and our shareholders.

NOLAN WATSON

PRESIDENT, CEO AND FOUNDER

BOARD OF DIRECTORS

1 **Mary L. Little**

Founder and Director of Mirasol Resources. Ms. Little led Mirasol's growth as a successful prospect generator, and spearheaded corporate development activities, including the negotiation of joint ventures and the sale of a principal asset.

2 **Andrew T. Swarthout**

CEO and Director of multi-asset silver company, Bear Creek Mining. Mr. Swarthout has participated in several discoveries and reserve expansions on projects in North and South America that are in production or will be in production in the future.

3 **David Awram**

Cofounder of Sandstorm and former Director, Investor Relations for Silver Wheaton Corp. Mr. Awram has overseen the company's corporate development, evaluating hundreds of projects and completing on-site due diligence on dozens of mining projects across the globe.

4 **Nolan Watson**

Cofounder of Sandstorm and former CFO of Silver Wheaton. Mr. Watson has been involved in over $2 billion in streaming and royalty transactions and has won numerous awards for his professional and charitable achievements.



MANAGEMENT TEAM

5 **John P. A. Budreski**

President and CEO of bulk commodities royalty company, Morien Resources. Prior to Morien, Mr. Budreski was the Vice Chairman of Cormark Securities and has over 25 years of experience in the resource and resource financing industries.

6 **David E. De Witt**

Founder and Chairman of venture capital firm, Pathway Capital. Mr. De Witt practiced corporate and securities law prior to Pathway and has held directorships in many public companies involved in the natural resource field.

Nolan Watson
FCPA, FCA, CFA

President, CEO and Founder

David Awram
B.Sc, Geologist

Sr. Executive VP and Founder

Erfan Kazemi
CPA, CA, CFA

Chief Financial Officer

Adam Spencer
CFA

VP, Corporate Development

Tom Bruington
P. Eng., M.Sc.

Executive VP, Project Evaluation

Keith Laskowski
P. Geo, M.Sc.

VP, Technical Services



GLOBAL ASSET GROWTH

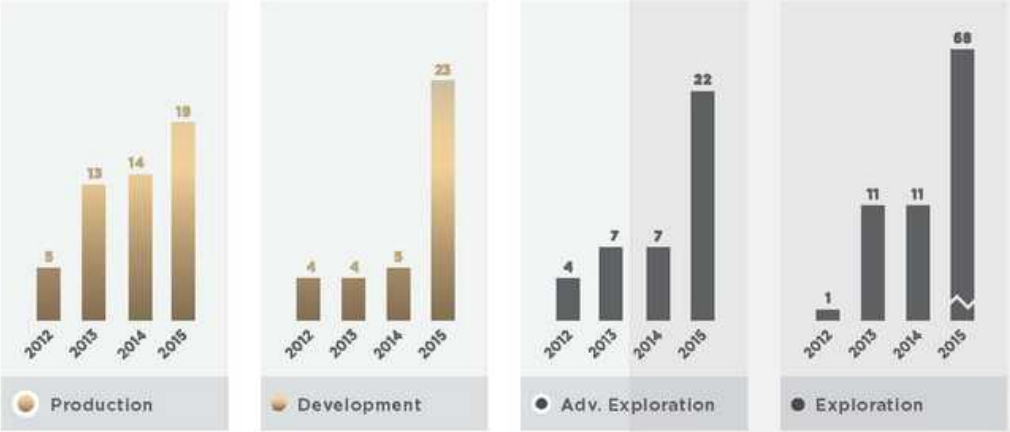


ASSET SUMMARY [1]

by operating stage

Production	Development	Adv. Exploration	Exploration
19	23	22	68

YEARLY COMPARISON [1]



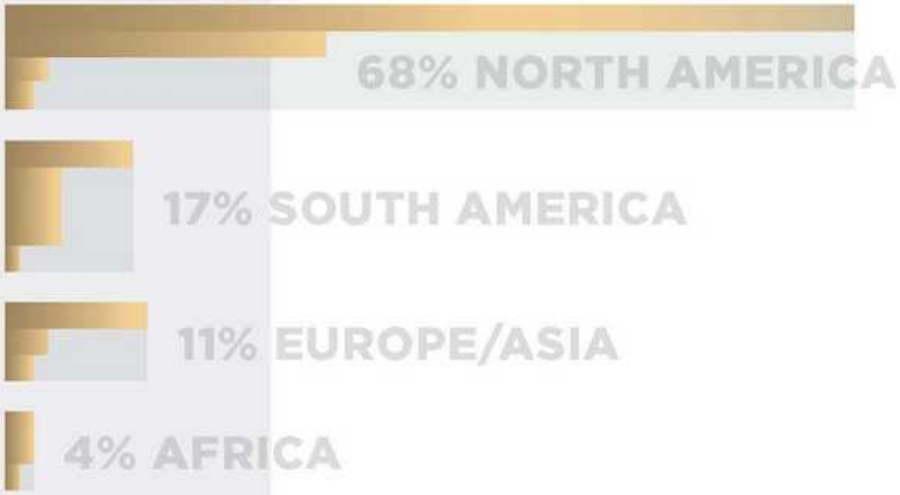


1 Subsequent to year-end, Sandstorm acquired an additional **55 royalties** on properties located in North America, South America, Europe and Asia. The preceding figures include these royalties.


3
5
2
2

ASSET SUMMARY [1]
by location

CANADA	**61**
USA	23
MEXICO	03
HONDURAS	02
BRAZIL	**09**
PERU	04
CHILE	05
ARGENTINA	04
FRENCH GUIANA	01
TURKEY	**10**
SWEDEN	03
MONGOLIA	02
SOUTH AFRICA	**02**
BURKINA FASO	02
GHANA	01



1 Subsequent to year-end, Sandstorm acquired an additional **55 royalties** on properties located in North America, South America, Europe and Asia. The preceding figures include these royalties.

SANDSTORM GOLD LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Annual 2015

For The Year Ended December 31, 2015

This management's discussion and analysis ("MD&A") for Sandstorm Gold Ltd. and its subsidiary entities ("Sandstorm", "Sandstorm Gold" or the "Company") should be read in conjunction with the audited consolidated financial statements of Sandstorm for the year ended December 31, 2015 and related notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The information contained within this MD&A is current to March 30, 2016 and all figures are stated in U.S. dollars unless otherwise noted.

COMPANY HIGHLIGHTS

Operating Results

- Attributable Gold Equivalent ounces sold, for the three months and year ended December 31, 2015 were 8,951 ounces and 45,146 ounces, respectively, compared with 10,424 ounces and 44,821 ounces for the comparable periods in 2014. Attributable Gold Equivalent ounces sold for the most recently completed year represented a record for the Company.
- Revenue for the three months and year ended December 31, 2015 was $9.9 million and $52.7 million, respectively, compared with $12.5 million and $56.5 million for the comparable periods in 2014.
- Operating cash flows for the three months and year ended December 31, 2015 were $5.0 million and $30.8 million, respectively, compared with $8.9 million and $35.2 million for the comparable periods in 2014.
- Average cash costs for the three months and year ended December 31, 2015 of $258 [1] and $300 [1] per Attributable Gold Equivalent ounce, respectively, compared with $308 [1] and $321 [1] per Attributable Gold Equivalent ounce for the comparable periods in 2014.

1) Refer to section on non-IFRS measures of this MD&A.

Significant Acquisitions

- On January 27, 2015, the Company announced that it had entered into 10 royalty agreements on properties located in Africa and the USA, which include a 0.45% NSR on Orezone Gold Corp.'s Bomboré gold project located in Burkina Faso.
- On March 23, 2015, the Company announced that it had acquired a 1% gross proceeds royalty over property in Lac de Gras in the Northwest Territories, Canada, including property constituting the Diavik Diamond Mine operated by Rio Tinto plc.

- On April 28, 2015, the Company closed its previously announced agreement to acquire 100% of the outstanding common shares of Gold Royalties Corp., which had over $1 million in cash and a portfolio of royalties on 12 mining projects located in Canada, including one royalty that is generating cash flow from gold production.
- On October 27, 2015, the Company entered into three agreements with Yamana Gold Inc. that included commodity streams from up to five of Yamana's mining projects. For consideration of $152 million in cash and 15 million warrants of the Company, Sandstorm received a multi-asset silver stream that includes production from Chapada, Minera Florida and Cerro Moro, a copper stream on Chapada, and an early deposit gold stream on Agua Rica. The transaction provides:
    - *Imminent Cash Flow:* New silver and copper streams are expected to contribute $8 million to $10 million of cash flow annually starting in 2016, increasing to $20 million annually by 2019 representing a 55% increase in the Company's 2019 forecasted cash flow;
    - *Asset Diversification:* Multi-asset silver stream that includes production from Chapada, Minera Florida and Cerro Moro, a copper stream on Chapada, and an Early deposit gold stream on Agua Rica;
    - *Downside Protection:* 24-month silver stream backstop from the El Peñon mine if Cerro Moro does not reach production by 2019 and an additional backstop from the Chapada mine under certain conditions;
    - *Asset Quality:* The projects underlying the transaction are low cost, economically robust assets with significant exploration upside;
    - *Improved Counterparty Profile:* Approximately 90% of Sandstorm's cash flow to come from majors, mid-tiers and debt-free junior mining companies by 2019; and
    - *Precious Metal Focus:* Precious metals and diamonds to contribute over 80% of the Company's cash flow by 2019.
- On January 19, 2016, the Company announced that it had agreed to acquire 55 royalties from Teck Resources Limited and its affiliates for total consideration of up to $22 million, payable in $1.4 million cash and $20.6 million in common shares of the Company. The transaction provides asset diversification; immediate cash flow and significant cash flow growth potential with estimated cash flow in 2016 of $1.5 million to $2.0 million, growing to $10 million to over $15 million in cash flow per year; and strong counterparties including Barrick Gold Corporation, Glencore plc, KGHM Polska Miedz SA, Newmont Mining Corporation, Kinross Gold Corporation, New Gold Inc. and Imperial Metals Corporation.

Other

- On June 30, 2015, the Company closed its previously announced restructuring of its Aurizona Gold Stream and its outstanding loan. Under the terms of the restructuring, the Gold Stream was terminated and replaced by two net smelter return royalties and a convertible debenture. Additionally, the maturity date of the existing loan was extended from June 30, 2017 to June 30, 2021. As part of the restructuring, Luna completed a $30 million financing with Pacific Road Resources Funds. Management believes the restructuring puts Luna Gold on a development path to move the Aurizona mine toward sustainable, long-term production.
- On October 26, 2015, the Company amended its revolving credit agreement, to allow the Company to borrow up to $110 million for acquisition purposes. As part of the Yamana transaction, the Company fully drew on the $110 million in available credit.
- On November 3, 2015, the Company completed an equity financing for aggregate gross proceeds of $28.8 million. Upon closing of the equity financing, the majority of the net proceeds were used to reduce the balance of the Company's revolving credit facility.

OVERVIEW

Sandstorm is a growth-focused company that seeks to acquire gold and other precious metal purchase agreements (“Gold Streams” or “Silver Streams”) and royalties from companies that have advanced stage development projects or operating mines. In return for making upfront payments to acquire a Gold Stream, Sandstorm receives the right to purchase, at a fixed price per ounce, a percentage of a mine’s gold, silver, or other commodity ("Gold Equivalent") production for the life of the mine. Sandstorm helps other companies in the resource industry grow their businesses, while acquiring attractive assets in the process. The Company is focused on acquiring Gold Streams and royalties from mines with low production costs, significant exploration potential and strong management teams. The Company currently has 132 Gold Streams and net smelter returns royalties (“NSR”s), of which 19 of the underlying mines are producing.

OUTLOOK

Based on the Company’s existing Gold Streams and NSRs, attributable Gold Equivalent production (individually and collectively referred to as “Attributable Gold Equivalent”) for 2016 is forecasted to be between 40,000 – 50,000 Attributable Gold Equivalent ounces. The Company is forecasting Attributable Gold Equivalent production of approximately 65,000 ounces per annum by 2020.

KEY PRODUCING ASSETS

Yamana Silver Stream

Yamana Gold Inc.

During the year ended December 31, 2015, the Company acquired a Silver Stream on Yamana Gold Inc.’s (“Yamana”) gold-silver Cerro Moro project, located in Santa Cruz, Argentina (the “Cerro Morro Project” or “Cerro Moro”) and interim silver deliveries during years 2016 to 2018 from a number of Yamana’s currently operating mines.

In acquiring the Yamana Silver Stream, the Chapada copper stream (refer to Chapada copper stream section) and a potential gold stream on the Agua Rica project, the Company agreed to upfront consideration consisting of a cash payment of $152 million, of which $4 million is payable in April 2016, and 15 million Sandstorm warrants. The warrants have a 5 year term, a strike price of $3.50 per Sandstorm common share and are exercisable upon achievement of specific milestones with respect to the construction of the Cerro Moro mine.

Silver deliveries

Under the terms of the Yamana Silver Stream, Sandstorm has agreed to purchase, for on-going per ounce cash payments equal to 30% of the spot price of silver, an amount of silver from Cerro Moro equal to 20% of the silver produced (up to an annual maximum of 1.2 million ounces of silver), until Yamana has delivered to Sandstorm 7.0 million ounces of silver; then 9.0% of the silver produced thereafter.

As part of the Yamana Silver Stream, during the year 2016 through 2018, Sandstorm has also agreed to purchase, for on-going per ounce cash payments equal to 30% of the spot price of silver, an amount of silver from:

(i) the Minera Florida mine in Chile equal to 38% of the silver produced (up to an annual maximum of 200,000 ounces of silver); and
(ii) the Chapada mine in Brazil equal to 52% of the silver produced (up to an annual maximum of 100,000 ounces of silver).

Downside protection

If by January 1, 2019, the Cerro Moro processing facility has not averaged 80% of its daily nameplate production capacity over a 30-day period (the "Commencement of Production"), then Yamana´s producing El Peñon mine in Chile will provide a 24 month backstop until the Commencement of Production has begun. During the 24 month backstop, if applicable, Sandstorm will purchase, for on-going per ounce cash payments equal to 30% of the spot price of silver, an amount of silver equal to 16% of El Peñon´s silver production up to a maximum of 1.2 million ounces per annum.

About Cerro Moro

The Cerro Moro project is located approximately 70 kilometres southwest of the coastal port city of Puerto Deseado in the Santa Cruz province of Argentina. Cerro Moro contains a number of high grade epithermal gold and silver deposits, some of which will be mined via open pit and some via underground mining methods. In February 2015, Yamana announced that it would proceed with the construction of the Cerro Moro mine. The current plan indicates average annual production in the first three years of 135,000 ounces of gold and 6.7 million ounces of silver, with the life of mine annual production averaging approximately 102,000 ounces of gold and 5 million ounces of silver at a throughput of 1,000 tonnes per day.

The procurement of long lead items is underway and Yamana anticipates that construction on Cerro Moro will begin in 2016.

Chapada Copper Stream

Yamana Gold Inc.

During the year ended December 31, 2015, the Company acquired a copper Stream on Yamana's open pit gold-copper Chapada mine located 270 kilometres northwest of Brasília in Goiás state, Brazil ("Chapada" or the "Chapada Mine"). Under the terms of the Yamana copper stream, Sandstorm has agreed to purchase, for on-going per pound cash payments equal to 30% of the spot price of copper, an amount of copper from the Chapada Mine equal to:

i) 4.2% of the copper produced (up to an annual maximum of 3.9 million pounds of copper) until Yamana has delivered 39 million pounds of copper to Sandstorm (the "First Chapada Delivery Threshold"); then

ii) 3.0% of the copper produced until, on a cumulative basis, Yamana has delivered 50 million pounds of copper to Sandstorm (the "Second Chapada Delivery Threshold"); then

iii) 1.5% of the copper produced thereafter, for the life of the mine.

Downside protection

If Cerro Moro has not achieved the Commencement of Production and Sandstorm has not received cumulative pre-tax cash flow equal to $70 million from the Yamana Silver Stream, then the First Chapada Delivery Threshold and the Second Chapada Delivery Threshold will cease to be in effect and Sandstorm will continue to purchase 4.2% of Chapada's payable copper production (up to an annual maximum of 3.9 million pounds of copper), until such time as Sandstorm has received cumulative pre-tax cash flow equal to $70 million, or Cerro Moro has achieved the Commencement of Production.

About Chapada

Chapada has been in production since 2007 and is a relatively low-cost operation. The ore is treated through a flotation plant with capacity of 22 million tonnes per annum. Yamana has benefitted from significant discoveries at Chapada in the past and expects to complete 10,000 metres of exploration drilling and 12,000 metres of infill drilling over the course of 2015.

Diavik Royalty

Rio Tinto PLC

During the year ended December 31, 2015, the Company acquired a 1% gross proceeds royalty based on the production from the Diavik mine located in Lac de Gras, Northwest Territories, Canada ("Diavik" or the "Diavik Mine") which is operated by Rio Tinto PLC ("Rio Tinto").

For consideration the Company paid $52.5 million in cash and 3 million warrants of Sandstorm to IAMGOLD Corporation (the previous owner of the 1% royalty). The warrants have a strike price of $4.50 per Sandstorm common share, an expiration date of March 23, 2020 and will only be exercisable following initial production from the Diavik Mine's A21 pipe.

The Diavik Mine is Canada's largest diamond mine. The mine began producing diamonds in January 2003, and has since produced more than 90 million carats from three kimberlite pipes (A154 South, A154 North, and A418). Rio Tinto recently approved the development of open pit mining from a fourth pipe (A21) which is targeted for production in 2018. Recent public announcements have indicated that the development of A-21 pipe continues to progress according to plan.

Black Fox Gold Stream

Primero Mining Corp.

The Company has a Gold Stream to purchase 8% of the life of mine gold produced from Primero Mining Corp.'s ("Primero") open pit and underground Black Fox mine, located in Ontario, Canada (the "Black Fox Mine"), and 6.3% of the life of mine gold produced from Primero's Black Fox Extension, which includes a portion of Primero's Pike River concessions, for a per ounce cash payment equal to the lesser of $524 and the then prevailing market price of gold.

The Black Fox Mine began operating as an open pit mine in 2009 (depleted in 2015) and transitioned to underground operations in 2011.Current activities at the Black Fox Mine include:

- Recent drilling by Primero has discovered the Froome zone, which is located approximately 1 kilometer east of the current Black Fox open pit. The zone continues to be a priority for surface exploration through the 2016. Furthermore, Primero anticipates $8.9 million in 2016 exploration expenditures at the Black Fox complex.

Santa Elena Gold Stream

First Majestic Silver Corp.

The Company has a Gold Stream to purchase 20% of the life of mine gold produced from First Majestic Silver Corp.'s ("First Majestic") open-pit and underground Santa Elena mine, located in Mexico (the "Santa Elena Mine"), for a per ounce cash payment equal to the lesser of $357 and the then prevailing market price of gold until 50,000 ounces of gold have been delivered to Sandstorm, at which time the on-going per ounce payments will increase to the lesser of $450 and the then prevailing market price of gold.

The Santa Elena Mine was successfully transitioned from an open pit heap leach operation to an underground mining and milling operation and commercial production for the 3,000 tonne per day processing plant was declared in 2014.

Current activities at the Santa Elena Mine include:

- First Majestic recently closed its previously announced transaction whereby it acquired SilverCrest Mines Inc.

Bachelor Lake Gold Stream

Metanor Resources Inc.

The Company has a Gold Stream to purchase 20% of the life of mine gold produced from Metanor Resources Inc.'s ("Metanor") Bachelor Lake gold mine located in Quebec, Canada (the "Bachelor Lake Mine"), for a per ounce cash payment equal to the lesser of $500 and the then prevailing market price of gold.

The Bachelor Lake Mine is a long hole mining operation with an operating mill and surface infrastructure, which began production in early 2013.

Current activities at the Bachelor Lake Mine include:

- Metanor recently released positive drill results from its exploration activities at the Bachelor Lake Mine and the newly discovered south zone. For more information refer to www.metanor.ca.

Bracemac-McLeod Royalty

Glencore PLC

Sandstorm has a 3% NSR based on 100% of the production from the Bracemac-McLeod property located in Matagami, Quebec, Canada ("Bracemac-McLeod" or the "Bracemac-McLeod Mine") which is owned and operated by a subsidiary of Glencore Xstrata plc ("Glencore").

The Bracemac-McLeod Mine is a high grade volcanogenic massive sulphide deposit. Continuous mining and milling operations have been active in the Matagami district for almost fifty years with ten previously operating mines and one other currently producing mine. The Bracemac-McLeod Mine began initial production in the second half of 2013.

Ming Gold Stream

Rambler Metals & Mining PLC

The Company has a Gold Stream to purchase approximately 25% of the first 175,000 ounces of gold produced and 12% of the life of mine gold produced thereafter, from Rambler Metals & Mining PLC's ("Rambler") Ming Copper-Gold mine, located in Newfoundland, Canada (the "Ming Mine"). There are no ongoing per ounce payments required by Sandstorm in respect of the Ming Mine Gold Stream. In the event that the metallurgical recoveries of gold at the Ming Mine are below 85%, the percentage of gold that Sandstorm shall be entitled to purchase shall be increased proportionally. Based on 2014 metallurgical recoveries, Sandstorm's 2015 gold purchase entitlement was adjusted to 31%.

Current activities at the Ming Mine include:

- Rambler released a favorable prefeasibility study ("PFS") that identifies the potential for an expansion of the Ming Mine into the Lower Footwall Zone. The PFS defines a staged, low capital strategy to optimize existing infrastructure to be able to operate at approximately 1,250 metric tonnes per day by 2018. The PFS outlines a plan to have Lower Footwall Zone material with current massive sulphide reserves. See www.ramblermines.com for more information.

OTHER PRODUCING ASSETS

Emigrant Springs Royalty

Newmont Mining Corp.

The Company has a 1.5% NSR on the Emigrant Springs mine (the "Emigrant Springs Mine") which is located in the Carlin Trend in Nevada, U.S.A. and is owned and operated by Newmont Mining Corp. ("Newmont"). The Emigrant Springs Mine is an open pit, heap leach operation. In the third quarter of 2012, construction of the mine was completed and commercial production commenced.

Mine Waste Solutions Royalty

Anglogold Ashanti Ltd.

The Company has a 1% NSR on the gold produced from Mine Waste Solutions tailings recovery operation ("MWS") which is located near Stilfontein, South Africa, and is owned and operated by AngloGold Ashanti Ltd. ("AngloGold"). MWS is a gold and uranium tailings recovery operation. The operation processes multiple tailings dumps in the area through three production modules, the last of which was commissioned in 2011.

Gualcamayo Royalty

Yamana Gold Inc.

The Company has a 1% NSR on the Gualcamayo gold mine (the "Gualcamayo Mine") which is located in San Juan province, Argentina and owned and operated by Yamana. The Gualcamayo Mine is an open pit, heap leach operation encompassing three substantial zones of gold mineralization. An expansion of the operation is expected to increase sustainable production.

San Andres Royalty

Aura Minerals Inc.

The Company has a 1.5% NSR on the San Andres mine (the "San Andres Mine") which is located in La Únion, Honduras and owned and operated by Aura Minerals Inc. ("Aura Minerals"). The San Andres Mine is an open pit, heap leach operation. The mine has been in production since 1983 and has well-developed infrastructure, which includes power and water supply, warehouses, maintenance facilities, assay laboratory and on-site camp facilities.

DEVELOPMENT ASSETS

Karma Gold Stream

True Gold Mining Inc.

The Company has a Gold Stream which entitles it to purchase 25,000 ounces of gold over a five year period and thereafter 1.625% of the gold produced from True Gold Mining Inc.'s ("True Gold") open-pit heap leach Karma gold mine located in Burkina Faso, West Africa ("Karma" or the "Karma Project") for on-going per ounce cash payment equal to 20% of the spot price of the gold.

The Gold Stream, which on a gross basis requires True Gold to deliver 100,000 ounces of gold over a five year period starting March 31, 2016 and thereafter 6.5% of the equivalent gold production at the Karma Project, is being syndicated between Franco-Nevada Corp. ("Franco-Nevada") and Sandstorm (together the "Stream Syndicate"). Franco-Nevada will be providing 75% of the funding and Sandstorm will be providing the remaining 25% of the funding. In consideration for acquiring the Gold Stream, the Stream Syndicate agreed to make payments totaling $100 million. As of the date of the MD&A, Sandstorm had fully funded the initial $25 million of its commitment in the following manner: (i) $14.4 million during the year ended December 31, 2014; (ii) $6.7 million during the year ended December 31, 2015; and (iii) $3.9 million in 2016. In addition, the Stream Syndicate has provided True Gold with an 18 month option to increase funding by up to $20 million (the "Increase Option") in exchange for eight quarterly deliveries totaling 30,000 ounces of gold, or the pro-rata portion of the amount drawn thereunder, starting 18 months from when the first tranche under the Increase Option is drawn down. Subsequent to year end, Sandstorm remitted $1.25 million of its $5 million commitment under the Increase Option.

The Karma Project has five defined mineral deposits that make up the Karma Project with probable mineral reserves of 949,000 ounces of gold. The mine is expected to produce an average of 97,000 ounces of gold per year over 8.5 years. The mining operation is planned to employ conventional truck and shovel methods. True Gold recently reported that construction at the Karma Mine is approximately 94% complete with commissioning activities underway and it remains on track for gold production by the first half of 2016. Endeavour Mining Corp. recently announced that it had entered into a definitive agreement with True Gold pursuant to which Endeavour Mining Corp. would acquire True Gold.

Aurizona Gold Royalty

Luna Gold Corp.

The Company has a 3% – 5% sliding scale NSR on the production from Luna Gold Corp.'s ("Luna") open-pit Aurizona mine, located in Brazil (the "Aurizona Mine"). At gold prices less than or equal to $1,500 per ounce, the royalty is a 3% NSR. In addition, Sandstorm holds a 2% NSR on Luna's 190,073 hectares of greenfields exploration ground. At any time prior to the commencement of commercial production, Luna has the ability to purchase one-half of the greenfields NSR for a cash payment of $10 million.

Luna has initiated a pre-feasibility study for the restart of the Aurizona Mine and Sandstorm holds a right of first refusal on any future streams or royalties on the Aurizona project and greenfields.

Restructuring

On June 30, 2015, the Company restructured its previously existing Gold Stream and loan agreement with Luna (the "Restructuring"). Under the terms of the Restructuring, the Gold Stream was terminated and replaced by two NSRs (described above) and a convertible debenture.

The convertible debenture is a $30 million instrument bearing interest at a rate of 5% per annum (the "Debenture"). The Debenture is payable in three equal annual tranches of $10 million plus accrued interest beginning June 30, 2018. Luna will have the right to convert the principal and interest owing under the Debenture into common shares of Luna, so long as Sandstorm does not own more than 20% of the outstanding common shares of Luna. The quantum of shares upon conversion will be dependent on a 20 day volume weighted average price ("VWAP") and if the VWAP is less than C$0.10 per share, the shares will be deemed to have been issued at C$0.10 per share.

Under the loan amendment, the maturity date of the existing $20 million Luna loan was extended from June 30, 2017 to June 30, 2021, and the interest rate was revised to 5% per annum, payable in cash on the maturity date. In the event that Luna is in default, the applicable rate of interest will increase to 10% per annum.

Under the terms of the Restructuring and until September 30, 2015, Sandstorm continued to purchase 17% of the gold that results from the processing of the remaining stockpile from the Aurizona Mine for a per ounce cash payment equal to the lesser of $408 and the then prevailing market price of gold.

The Company recognized a gain of $4.3 million arising from the difference between the fair value of the Debenture and two NSRs and the carrying value of the Aurizona mineral interest.

Hugo North Extension & Heruga Gold Stream

Entrée Gold Inc.

Subsequent to the year ended December 31, 2015, Sandstorm amended its Gold Stream with Entrée Gold Inc. ("Entrée") such that the Company will now purchase an amount equal to 5.62% and 4.26% of the gold and silver by-products produced from the Hugo North Extension and Heruga deposits located in Mongolia, (the "Hugo North Extension" and "Heruga", respectively) for per ounce cash payments equal to the lesser of $220 per ounce of gold and $5 per ounce of silver and the then prevailing market price of gold and silver, respectively. Additionally, Sandstorm amended its copper stream such that the Company will now purchase an amount equal to 0.42% share of the copper produced from Hugo North Extension and Heruga for per pound cash payments equal to the lesser of $0.50 per pound of copper and the then prevailing market price of copper. In consideration for the amendment and subsequent to the year ended December 31, 2015, Sandstorm received consideration of $6.8 million (of which $5.5 million was paid in cash and $1.3 million was received by way of Entrée common shares).

The Company is not required to contribute any further capital, exploration, or operating expenditures to Entrée.

The Hugo North Extension is a rich copper-gold porphyry deposit and Heruga is a copper-gold-molybdenum porphyry deposit. Both projects are located in the South Gobi desert of Mongolia, approximately 570 kilometers south of the capital city of Ulaanbaatar and 80 kilometers north of the border with China. The Hugo North Extension and Heruga are part of the Oyu Tolgoi mining complex and are managed by Oyu Tolgoi LLC, a subsidiary of Turquoise Hill Resources and the Government of Mongolia, and its project manager Rio Tinto PLC. Entrée retains a 20% interest in the resource deposits of the Hugo North Extension and Heruga.

Entrée recently announced that an Oyu Tolgoi underground mine development and financing plan had been signed by the Government of Mongolia, Entrée's joint venture partner, Oyu Tolgoi LLC, Turquoise Hill Resources Ltd. and Rio Tinto. The plan provides a path forward to the eventual restart of underground development, including Lift 1 of the Hugo North Extension. Recently, Entrée's joint venture partner, announced that it had signed a $4.4 billion finance facility for underground mine development at the Oyu Tolgoi project. The facility is being provided by a syndicate of international financial institutions and export credit agencies representing the governments of Canada, the United States and Australia, along with 15 commercial banks.

Hot Maden Royalty

Mariana Resources Ltd.

On January 19, 2016, the Company acquired a 2% NSR on the Hot Maden gold-copper project which is located in the Artvin Province, northeastern Turkey (the "Hot Maden Project"). The project is co-owned by Mariana Resources Ltd. and its Turkish partner, Lidya Madencilik Sanayi ve Ticaret A.S., which is currently earning into a 70% interest in the project.

A 2015 drill campaign led to the release of a maiden mineral resource estimate for the Hot Maden Project with an indicated resource of 2.0 million gold equivalent ounces and also included an inferred resource of 1.0 million gold equivalent ounces.

Hackett River Royalty

Glencore PLC

On January 19, 2016, the Company acquired a 2% NSR on the Hackett River property located in Nunavut, Canada (the "Hackett River Project" or "Hackett River") which is owned by a subsidiary of Glencore.

Hackett River is a silver-rich volcanogenic massive sulphide project and is one of the largest undeveloped projects of its kind. The property is made up of four massive sulphide deposits that occur over a 6.6 kilometre strike distance. A preliminary economic assessment updated in 2010 evaluated a possible large-scale open pit and underground operation, processing up to 17,000 tonnes per day. The most recent technical report, completed in 2013, reported 25.0 million tonnes of indicated resources containing 4.2% zinc and 130.0 grams per tonne silver plus 57.0 million tonnes of inferred resources with 3.0% zinc and 100.0 grams per tonne silver.

Lobo-Marte Royalty

Kinross Gold Corp.

On January 19, 2016, the Company acquired a 1.05% NSR on production from the Lobo-Marte project located in the Maricungha gold district of Chile (the "Lobo-Marte Project" or "Lobo-Marte") which is owned by Kinross Gold Corp. ("Kinross").

Kinross completed a prefeasibility study at Lobo-Marte that contemplated a heap-leach operation. As a result of changes in the plan of operations and other factors, Kinross withdrew its previously submitted permit application. Future development and operations at Lobo-Marte will require the re-initiation of the permitting process.

Agi Dagi & Kirazli

Alamos Gold Inc.

On January 19, 2016, the Company acquired a $10/ounce royalty based on the production from the Agi Dagi and the Kirazli gold development projects located in the Çanakkale Province of northwestern Turkey (“Agi Dagi” and “Kirazli”, respectively) which are both owned by Alamos Gold Inc. (“Alamos Gold”). The royalty is payable by Newmont and is subject to a maximum of 600,000 ounces from Agi Dagi and a maximum of 250,000 ounces from Kirazli.

A 2012 pre-feasibility study on Agi Dagi and Kirazli contemplated both projects as stand-alone open-pit, heap-leach operations. Under the study, Agi Dagi is expected to produce an average of 143,000 ounces of gold per year over a 7 year mine life while Kirazli is expected to produce an average of 99,000 ounces of gold per year over a 5 year mine life.

Bomboré Royalty

Orezone Gold Corp.

On January 27, 2015, the Company acquired a 0.45% NSR on the Bomboré gold project (“Bomboré” or “Bomboré Project”) located in Burkina Faso, West Africa and owned by Orezone Gold Corp. (“Orezone”) for consideration of $3.0 million (the “Upfront Royalty”). In addition, Sandstorm has committed to providing up to an additional $5.0 million in royalty financing (remittable in cash and/or shares, subject to certain conditions) to Orezone on a drawdown basis until January 27, 2017 (the “Standby Royalty”). The Standby Royalty, if fully exercised, would result in the granting of an additional 0.75% NSR. Orezone has granted Sandstorm a right of first refusal on any future stream or royalty financings related to the Bomboré Project until 36 months following the achievement of commercial production at the mine. Orezone has the option to repurchase the Upfront Royalty from Sandstorm for a period of 36 months, at a premium of 10% per year. The Standby Royalty can also be repurchased at a premium of 10% per year if Orezone completes a gold stream financing and Sandstorm participates for no less than $30 million.

Orezone's 168 km^2 Bomboré project is the largest undeveloped oxide gold deposit in Burkina Faso, containing 4.6 million ounces of measured and indicated gold resources.

Prairie Creek Royalty

Canadian Zinc Corp.

The Company has a 1.2% NSR on the Prairie Creek project (“the “Prairie Creek Project”) located in the Northwest Territories, Canada and owned by Canadian Zinc Corporation (“Canadian Zinc”). The Prairie Creek Project is a zinc, silver and lead project that is 100%-owned by Canadian Zinc and currently reports a proven and probable mineral reserve of 5.2 million tonnes grading 9.4% zinc, 151 grams per tonne silver and 9.5% lead. Canadian Zinc recently entered into sale agreements with both Boliden and Korea Zinc for the sale of the zinc and lead concentrates produced at the Prairie Creek mine. This represents a significant step forward in the development of the mine.

Canadian Zinc has provided Sandstorm with a right of first refusal on any future royalty or commodity stream financing for the Prairie Creek Project.

Mt. Hamilton Royalty

Waterton Precious Metals Fund II Cayman, LP

The Company has a 2.4% NSR on the Mt. Hamilton gold project (the "Mt. Hamilton Project"). The Mt. Hamilton Project is located in White Pine County, Nevada, U.S.A. and is owned by Waterton Precious Metals Fund II Cayman, LP ("Waterton").

Sandstorm holds a right of first refusal on any future royalty or gold stream financing for the Mt. Hamilton Project.

ACQUISITION

Gold Royalties Corp.

On April 28, 2015, the Company closed its previously announced plan of arrangement pursuant to which Sandstorm Gold acquired all of the issued and outstanding shares (the "Gold Royalties Shares") of Gold Royalties Corporation ("Gold Royalties"). The transaction was implemented by way of a statutory plan of arrangement (the "Arrangement"). Upon completion of the Arrangement, Sandstorm Gold issued to each holder of a Gold Royalties Share 0.045 of a common share of Sandstorm Gold.

As a result of acquiring Gold Royalties, Sandstorm has added a number of Canadian royalty assets to its portfolio along with over $1.0 million in cash.

In accordance with IFRS 3 – Business Combinations, the total consideration of $4.8 million, consisting of (i) $4.3 million representing the value of the Sandstorm Gold common shares issued (based on the April 28, 2015 closing price) and (ii) $0.5 million of Gold Royalties Shares previously owned by Sandstorm Gold, was allocated to the identifiable assets acquired and liabilities assumed as follows:

Consideration:		**In 000s**
Sandstorm Shares issued (1,161,720 common shares)	$	4,281
Gold Royalties Shares owned by Sandstorm Gold		472
	$	**4,753**

Allocation of acquisition costs:		
Cash and cash equivalents	$	1,288
Trade receivables and other		107
Mineral interests and royalties		1,852
Deferred income tax assets		1,592
Trade and other payables		(86)
	$	**4,753**

Sandstorm Gold has estimated the fair value of the assets acquired to be equal to their carrying value except for the mineral interests and royalties which were estimated to have a fair value of $1.9 million and deferred tax assets of $1.6 million, respectively. An income approach (being the net present value of expected future cash flows) was used to determine the fair values of the mineral interests and royalties. Estimates of future cash flows are based on estimated future revenues and expected conversions of resources to reserves at each of the mineral properties.

REVOLVING CREDIT FACILITY

On October 26, 2015, the Company amended its revolving credit agreement, allowing the Company to borrow up to $110 million (the "Revolving Loan") from a syndicate of banks including the Bank of Nova Scotia, Bank of Montreal, National Bank of Canada, and Canadian Imperial Bank of Commerce. The amounts drawn on the Revolving Loan remain subject to interest at LIBOR plus 3.00% – 4.25% per annum, and the undrawn portion of the Revolving Loan remains subject to a standby fee of 0.75% – 1.05% per annum, dependent on the Company's leverage ratio. On October 26, 2015 and as part of the Yamana transaction, the Company fully drew on its credit facility.

EQUITY FINANCING

On November 3, 2015 the Company completed a public offering of 10,087,800 units at a price of $2.85 per unit, for gross proceeds of $28.8 million. Each unit was comprised of one common share of the Company and one-half of one listed warrant. In connection with the offering, the Company paid agent fees of $1.4 million, representing 5% of the gross proceeds. The amount attributable to common shares was $27.1 million, with the remainder allocated to the warrants. As previously announced, the net proceeds from the public offering were primarily used to reduce the balance of the Company's Revolving Loan.

NORMAL COURSE ISSUER BID

On December 15, 2014, the Company announced that it intended to proceed with a normal course issuer bid ("NCIB"). Under the NCIB, the Company was able until December 16, 2015, to purchase up to 5,882,879 common shares, representing 5% of the Company's issued and outstanding common as at December 11, 2014. The NCIB provided the Company with the option to purchase its common shares from time to time when the Company's management believed that the Common Shares were undervalued by the market. Subsequent to December 31, 2015, the Company reinitiated its NCIB, allowing it to purchase up to 6,896,539 common shares until April 2017.

During the year ended December 31, 2015 and pursuant to the NCIB, the Company purchased and cancelled an aggregate of 518,123 common shares.

OTHER

Tax

As a result of an ongoing assessment of the Company's assets held in foreign subsidiaries, during the year ended December 31, 2015, the Company recognized a reduction of $8.1 million in its deferred income tax asset relating to taxable income previously attributed to its Barbadian subsidiary. The assessment is complex in nature and the reduction represents management estimates. The Company's international transactions have not been reviewed by the Canada Revenue Agency, and should such transactions be reviewed no assurances can be given that the tax authority will concur with management's estimates.

Gold Stream Settlement

As contemplated in the Deflector gold purchase agreement, the Company provided notice to Doray Minerals Ltd. that it was requesting back the $6.0 million Sandstorm had advanced under the purchase agreement. As part of a settlement agreement, the Company received $7.0 million in June 2015. The difference between the $7.0 million received and the carrying value of the Deflector mineral interest of $6.3 million was recognized in other income. As a result of the settlement, both parties' obligations were extinguished under the Deflector gold purchase agreement.

Impairments

The lack of progress with respect to Santa Fe Gold Corp. ("Santa Fe") raising additional capital to satisfy the terms and conditions of the negotiated restructuring of its senior secured indebtedness, prompted the Company to evaluate its investment in the Summit mine Gold Stream. As a result of its review, the Company, during the year ended December 31, 2015, recorded an impairment charge of $3.3 million for the full balance of the mineral interest.

While assessing whether any indications of impairment exist for mineral properties, consideration is given to both external and internal sources of information. Given the decline in the Company's market capitalization during the year ended December 31, 2015, the Company performed an impairment analysis of the Company's mineral interests. As part of this assessment, the Company recorded impairment charges related to its interests in the Serra Pelada project, the Emigrant Springs Mine, and MWS in the amounts of $13.1 million, $5.8 million and $2.4 million.

SUBSEQUENT EVENTS

Teck Royalty Package

On January 19, 2016, the Company announced that it had agreed to acquire 55 royalties from Teck Resources Limited ("Teck") and its affiliates for total consideration of up to $22 million, payable in $1.4 million cash and $20.6 million in common shares of the Company. Since that time, 36 of the royalties have been transferred to the Company with the remaining royalties expected to close by May 2016. The transaction provides:

- Asset Diversification: the royalty package consists of assets in North America (33), Asia (10), South America (9) and Europe (3) and includes producing assets (4), development-stage projects (8), advanced exploration-stage projects (8) and exploration-stage properties (35);
- Immediate Cash Flow and Significant Cash Flow Growth Potential: the Company has estimated cash flow in 2016 of $1.5 million to $2.0 million, growing to $10 million to over $15 million in cash flow per year;

- Strong Counterparties: royalty counterparties include Barrick Gold Corporation, Glencore plc, KGHM Polska Miedz SA, Newmont Mining Corporation, Kinross Gold Corporation, New Gold Inc. and Imperial Metals Corporation; and
- Long-Term Optionality: over two dozen royalties on exploration-stage properties, several of which are undergoing active exploration programs.

SUMMARY OF ANNUAL RESULTS

Year Ended

In $000s	December 31, 2015	December 31, 2014	December 31, 2013
Total revenue	$ 52,663	$ 56,494	$ 59,836
Attributable Gold Equivalent ounces sold [1]	45,146	44,821	42,709
Gold sales	$ 38,585	$ 43,690	$ 50,644
Royalty revenue	14,078	12,804	9,192
Average realized gold price per ounce [1]	1,167	1,260	1,401
Average cash cost per ounce [1]	300	321	356
Cash flow from operations	30,819	35,224	32,217
Cash flow from operations per share (basic) [1]	0.26	0.31	0.34
Cash flow from operations per share (diluted) [1]	0.26	0.29	0.31
Net (loss) income attributable to shareholders of Sandstorm	(43,056)	11,515	(73,752)
Net (loss) income	(43,056)	11,515	(74,629)
Basic(loss) income per share	(0.36)	0.10	(0.78)
Diluted(loss) income per share	(0.36)	0.09	(0.78)
Total assets	496,873	431,070	379,703
Total long-term liabilities	$ 86,779	$ 5,892	$ 6,134

1) *See non-IFRS measures section below.*

The Company's operating segments for the year ended December 31, 2015 are summarized in the table below:

In $000s	Attributable ounces sold	Sales and royalty revenues	Cost of sales (excluding depletion)	Depletion	Impairment of mineral interests	Income (loss) before taxes	Cash flow from operations
Aurizona	9,061	$ 10,773	$ 3,690	$ 1,072	-	$ 6,011	$ 7,083
Bachelor Lake	7,101	8,285	3,550	4,220	-	515	4,735
Black Fox	5,891	6,856	3,041	4,281	-	(466)	3,815
Diavik Mine	4,863	5,656	-	6,273	-	(617)	4,480
Ming	1,651	1,855	-	1,994	-	(139)	1,855
Santa Elena	9,171	10,640	3,266	6,115	-	1,259	7,374
Royalties	7,242	8,422	-	11,292	(18,322)	(21,192)	8,679
Other	166	176	19	65	(3,323)	(3,227)	161
Corporate	-	-	-	-	-	(16,088)	(7,363)
Consolidated	**45,146**	**$ 52,663**	**$ 13,566**	**$ 35,312**	**(21,645)**	**$ (33,944)**	**$ 30,819**

The Company's operating segments for the year ended December 31, 2014 are summarized in the table below:

In $000s	Attributable ounces sold	Sales and royalty revenues	Cost of sales (excluding depletion)	Depletion	Impairment of mineral interest	Income (loss) before taxes	Cash flow from operations
Aurizona	12,361	$ 15,527	$ 4,986	$ 1,463	$ -	$ 9,078	$ 10,541
Bachelor Lake	9,324	11,899	4,662	5,541	-	1,696	7,237
Black Fox	5,487	6,889	2,790	3,920	-	179	4,099
Ming	1,964	2,459	-	1,611	-	848	2,459
Santa Elena	5,516	6,916	1,945	3,359	-	1,612	4,971
Royalties	10,169	12,804	-	12,019	(1,215)	(430)	13,674
Corporate	-	-	-	-	-	(3,717)	(7,757)
Consolidated	**44,821**	**$ 56,494**	**$ 14,383**	**$ 27,913**	**$ (1,215)**	**$ 9,266**	**$ 35,224**

SUMMARY OF QUARTERLY RESULTS

(in accordance with IFRS)

Quarters Ended

In $000s	Dec. 31, 2015	Sep. 30, 2015	June. 30, 2015	Mar. 31, 2015
Total revenue	$ 9,863	$ 12,086	$ 15,429	$ 15,285
Attributable Gold Equivalent ounces sold [1]	8,951	10,834	12,901	12,460
Gold sales	$ 6,604	$ 9,055	$ 11,360	$ 11,566
Royalty revenue	3,259	3,031	4,069	3,719
Average realized gold price per attributable ounce [1]	1,102	1,116	1,196	1,227
Average cash cost per attributable ounce [1]	258	307	304	323
Cash flow from operations	4,987	8,234	9,479	8,119
Cash flow from operations per share (basic) [1]	0.04	0.07	0.08	0.07
Cash flow from operations per share (diluted) [1]	0.04	0.07	0.08	0.07
Net (loss) income	(24,960)	(5,470)	(13,451)	825
Basic (loss) income per share	(0.20)	(0.05)	(0.11)	0.01
Diluted (loss) income per share	(0.20)	(0.05)	(0.11)	0.01
Total assets	496.873	408.170	415.944	425,154
Total long-term liabilities	$ 86,779	$ 4,768	$ 5,316	$ 5,341

In $000s	Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014	Mar. 31, 2014
Total revenue	$ 12,488	$ 15,559	$ 13,153	$ 15,295
Attributable Gold Equivalent ounces sold [1]	10,424	12,282	10,149	11,966
Gold sales	$ 9,463	$ 11,571	$ 9,724	$ 12,932
Royalty revenue	3,025	3,988	3,429	2,363
Average realized gold price per ounce [1]	1,198	1,267	1,296	1,278
Average cash cost per ounce [1]	308	308	310	355
Cash flow from operations	8,854	9,962	9,383	7,025
Cash flow from operations per share (basic) [1]	0.08	0.08	0.08	0.07
Cash flow from operations per share (diluted) [1]	0.07	0.08	0.08	0.06
Net income (loss) attributable to shareholders of Sandstorm	2,608	2,076	3,039	3,792
Net income (loss)	2,608	2,076	3,039	3,792
Basic income (loss) per share	0.02	0.02	0.03	0.04
Diluted income (loss) per share	0.02	0.02	0.03	0.03
Total assets	431,070	445,368	456,050	400,299
Total long-term liabilities	$ 5,892	$ 6,161	$ 5,922	$ 5,837

1) *See non-IFRS measures section below.*

Changes in sales, net income and cash flow from operations from quarter to quarter are affected primarily by fluctuations in production at the mines, the timing of shipments, changes in the price of gold, as well as acquisitions of Gold Stream and royalty agreements and the commencement of operations of mines under construction. For more information refer to the quarterly commentary discussed below.

The Company's operating segments for the three months ended December 31, 2015 are summarized in the table below:

In $000s	Attributable ounces sold	Sales and royalty revenues	Cost of sales (excluding depletion)	Depletion	Impairment of mineral interests	Income (loss) before taxes	Cash flow from operations
Aurizona	501	$ 579	$ 204	$ 59	-	$ 316	$ 375
Bachelor Lake	1,383	1,523	692	822	-	9	831
Black Fox	1,274	1,409	660	908	-	(159)	749
Diavik Mine	1,067	1,176	-	1,808	-	(632)	1,016
Ming	608	645	-	749	-	(104)	645
Santa Elena	2,062	2,270	736	1,314	-	220	1,534
Royalties	1,890	2,083	-	2,512	(18,322)	(18,751)	1,899
Other	166	178	17	65	-	96	161
Corporate	-	-	-	-	-	(9,801)	(2,223)
Consolidated	**8,951**	**$ 9,863**	**$ 2,309**	**$ 8,237**	**(18,322)**	**$ (28,806)**	**$ 4,987**

THREE MONTHS ENDED DECEMBER 31, 2015 COMPARED TO THE THREE MONTHS ENDED DECEMBER 31, 2014

For the three months ended December 31, 2015, net loss and cash flow from operations were $25.0 million and $5.0 million, respectively, compared with net income and cash flow from operations of $2.6 million and $8.9 million for the comparable period in 2014. The change is attributable to a combination of factors including:

- A $6.5 million non-cash loss on the revaluation of the Company's investments recognized during the three months ended December 31, 2015;
- An $18.3 million non-cash impairment charge relating to the Company's mineral interests with respect to the Serra Pelada project, the Emigrant Springs Mine and MWS;
- A $1.0 million increase in administration expenses, during the three months ended December 31, 2015, resulting from increased corporate activity and the granting of employee annual bonuses due to the Company's performance and the allocation of over $200 million of capital for the 2015 calendar year, resulting in the acquisition of over 25 Gold Streams and royalties; and
- A $0.4 million increase in interest expense as the Company fully drew on its Revolving Loan in October 2015.

For the three months ended December 31, 2015, revenue was $9.9 million compared with $12.5 million for the comparable period in 2014. The decrease is largely attributed to a number of factors including:

- 8% decrease in the average realized selling price of gold; and
- 14% decrease in the number of Attributable Gold Equivalent ounces sold, due to:
    i. 84% decrease in gold ounces sold from the Aurizona Mine as Luna finished processing ore from the stockpile and ceased mining operations;
    ii. 18% decrease in gold ounces sold from the Bachelor Lake Mine primarily related to the mine experiencing lower feed grade largely driven by higher than expected dilution from some stopes; partially offset by
    iii. 31% increase in gold ounces sold from the Santa Elena Mine primarily attributed to solid production from the property and an improvement in the mining of underground stopes.

YEAR ENDED DECEMBER 31, 2015 COMPARED TO THE YEAR ENDED DECEMBER, 2014

For the year ended December 31, 2015, net loss and cash flow from operations were $43.1 million and $30.8 million, respectively, compared with net income and cash flow from operations of $11.5 million and $35.2 million for the comparable period in 2014. The change is attributable to a combination of factors including:

- An $8.1 million non-cash income tax expense related to a reduction of the Company's deferred income tax asset relating to taxable income previously attributed to its Barbadian subsidiary;
- A $21.6 million non-cash impairment charge relating to the Company's mineral interests with respect to the Serra Pelada project, the Emigrant Springs Mine, MWS and the Santa Fe Gold Stream;
- A $7.4 million non-cash increase in depletion expense driven by a number of reasons including an increase in Attributable Gold Equivalent ounces sold;
- A $12.5 million non-cash loss on the revaluation of the Company's investments;
- A $1.2 million increase in administration expenses largely driven by the vesting of previously granted stock based compensation and increased corporate activity;
- A number of non-recurring items recorded during the year ended December 31, 2014, including a one-time gain of $2.6 million recognized on the acquisition of Sandstorm Metals & Energy which was partially offset by a non-cash impairment charge of $1.2 million relating the Company's Bracemac-McLeod royalty; partially offset by
- A $5.0 million gain on the settlement of mineral interests largely driven by the Luna Gold Stream and loan restructuring; and
- A foreign exchange gain of $1.5 million largely driven by the consolidation of subsidiary entities with a different functional currency than the parent entity.

For the year ended December 31, 2015, revenue was $52.7 million compared with $56.5 million for the comparable period in 2014. The decrease is primarily related to a 7% decrease in the average realized selling price of gold. While total Attributable Gold Equivalent ounces sold were fairly consistent when comparing the two periods, there were some notable fluctuations in the year ended December 31, 2015, including:

    i. A 66% increase in gold ounces sold from the Santa Elena Mine primarily attributed to solid production from the property and an improvement in the mining of underground stopes;

ii. An additional 4,863 Attributable Gold Equivalent ounces arising from the Company's recently acquired Diavik royalty;
iii. A 7% increase in gold ounces sold from the Black Fox Mine primarily driven from greater investments in underground development in an effort to improve mining and processing targets going forward; partially offset by
iv. A 27% decrease in gold ounces sold from the Aurizona Mine as Luna finished processing ore from the stockpile and ceased mining operations in 2015; and
v. A 24% decrease in gold ounces sold from the Bachelor Lake Mine primarily related to the mine experiencing lower feed grade largely driven by higher than expected dilution from some stopes.

THREE MONTHS ENDED DECEMBER 31, 2015 COMPARED TO THE REMAINING QUARTERS

When comparing net loss of $25.0 million and cash flow from operations of $5.0 million for the three months ended December 31, 2015 with net income/loss and operating cash flow for the remaining quarters, the following items impact comparability of analysis:

- An $8.1 million non-cash income tax expense related to a reduction of the Company's deferred income tax asset relating to taxable income previously attributed to its Barbadian subsidiary which was recorded during the three months ended June 30, 2015;
- An $18.3 million non-cash impairment charge relating to the Company's mineral interests with respect to the Serra Pelada project, the Emigrant Springs Mine and MWS which was recognized during the three months ended December 31, 2015;
- A $4.3 million gain on the settlement of the Luna Gold Stream and loan which was recognized during the three months ended June 30, 2015;
- A $3.3 million non-cash impairment relating to the Santa Fe Gold Stream recognized during the three months ended June 30, 2015;
- A one-time gain of $2.6 million recognized on the acquisition of Sandstorm Metals & Energy which was recorded during the three months ended June 30, 2014;
- A non-cash impairment charge of $1.2 million relating the Company's Bracemac-McLeod royalty recognized during the three months ended June 30, 2014;
- A general decrease in administration expenses when compared to previous quarters primarily driven by (i) the implementation of cost reduction programs when the Company acquired 100% of the common shares of Premier Royalty and (ii) the elimination of duplicated costs that were previously being consolidated;
- Overall, Gold Attributable Equivalent ounces sold have increased over the course of the last three years as result of various assets producing including: (i) the Aurizona Mine and the Santa Elena Mine began initial production late in 2010; (ii) the Company acquired the Diavik royalty during the three months ended March 31, 2015; and (iii) the Company began purchasing gold from the Black Fox Mine in 2011.

CHANGE IN TOTAL ASSETS

Total assets increased by $88.7 million from September 30, 2015 to December 31, 2015 primarily resulting from the acquisition of the Yamana Silver Stream and copper stream which were largely funded by utilizing the Company's Revolving Loan; the increase was partially offset by depletion expense and a non-cash impairment charge on certain mineral interests. Total assets decreased by $7.8 million from June 30, 2015 to September 30, 2015 primarily resulting from depletion expense, which was partially offset by operating cash flows. Total assets decreased by $9.2 million from March 31, 2015 to June 30, 2015 primarily resulting from (i) the reduction of the Company's deferred tax assets; and (ii) depletion expense; partially offset by operating cash flows. Total assets decreased by $5.9 million from December 31, 2014 to March 31, 2015 primarily resulting from (i) depletion expense; and (ii) a decline in the fair value of investments; partially offset by operating cash flows. Total assets increased by $51.4 million from December 31, 2013 to December 31, 2014 primarily resulting from (i) the assets acquired from the Sandstorm Metals & Energy business combination; (ii) operating cash flows and (iii) the exercise of warrants; which were partially offset by (i) depletion expense; (ii) a decline in the fair value of investments; and (iii) by a non-cash impairment charge on the Bracemac-McLeod royalty.

NON-IFRS MEASURES

The Company has included, throughout this document, certain non-IFRS performance measures, including (i) average cash cost per attributable ounce; (ii) cash flow from operations per share (basic and diluted); and (iii) average realized gold price per attributable ounce.

i. Average cash cost per ounce is calculated by dividing the Company's cost of sales (excluding depletion) by the number of Attributable Gold Equivalent ounces sold. The Company presents average cash cost per ounce as it believes that certain investors use this information to evaluate the Company's performance in comparison to other companies in the precious metals mining industry who present results on a similar basis. **Figure 1.1** provides a reconciliation of average cash cost of gold on a per ounce basis.

Figure 1.1

	3 Months Ended Dec. 31, 2015	3 Months Ended Dec. 31, 2014	Year Ended Dec. 31, 2015	Year Ended Dec. 31, 2014
Cost of Sales (excluding depletion)	$ 2,309	$ 3,212	$ 13,566	$ 14,383
Cash cost of sales is comprised of:				
Total cash cost of gold sold	2,309	$ 3,212	13,566	$ 14,383
Divided by:				
Total Attributable Gold Equivalent ounces sold [1]	8,951	10,424	45,146	44,821
Equals:				
Average cash cost of gold (per attributable ounce)	$ 258	$ 308	$ 300	$ 321

1) *The Company's royalty income is converted to an Attributable Gold Equivalent ounce basis by dividing the royalty income for that period by the average realized gold price per ounce from the Company's Gold Streams for the same respective period. These Attributable Gold Equivalent ounces when combined with the gold ounces sold from the Company's Gold Streams equal total Attributable Gold Equivalent ounces sold.*

ii. Cash flows from operations per share (basic and diluted) is calculated by dividing cash generated by operating activities by the weighted average number of shares outstanding (basic and diluted). The Company presents operating cash flows per share as it believes that certain investors use this information to evaluate the Company's performance in comparison to other companies in the precious metals mining industry that present results on a similar basis. **Figure 1.2** provides a reconciliation of cash flow from operations per share (basic and diluted).

Figure 1.2

	3 Months Ended Dec. 31, 2015	3 Months Ended Dec. 31, 2014	Year Ended Dec. 31, 2015	Year Ended Dec. 31, 2014
Cash generated by operating activities	$ 4,989	$ 8,854	$ 30,819	$ 35,224
Divided by:				
Basic weighted average number of shares outstanding	124,719,241	117,833,349	119,622,450	112,852,945
Diluted weighted average number of shares outstanding [1]	124,733,004	118,469,499	119,687,423	121,398,498
Equals:				
Operating cash flow per share - basic	$ 0.04	$ 0.08	$ 0.26	$ 0.31
Operating cash flow per share - diluted	$ 0.04	$ 0.07	$ 0.26	$ 0.29

1) *The diluted weighted average number of shares includes stock options and share purchase warrants that would have been dilutive if the Company had positive net income for the period.*

iii. Average realized gold price per ounce is calculated by dividing the Company's sales by the number of Attributable Gold Equivalent ounces sold. The Company presents average realized gold price per attributable ounce as it believes that certain investors use this information to evaluate the Company's performance in comparison to other companies in the precious metals mining industry that present results on a similar basis. **Figure 1.3** provides a reconciliation of average realized gold price per ounce.

Figure 1.3

	3 Months Ended Dec. 31, 2015	3 Months Ended Dec. 31, 2014	Year Ended Dec. 31, 2015	Year Ended Dec. 31, 2014
Total revenue	$ 9,863	$ 12,488	$ 52,663	$ 56,494
Divided by:				
Total Attributable Gold Equivalent ounces sold	8,951	10,424	45,146	44,821
Equals:				
Average realized gold price per ounce	$ 1,102	$ 1,198	$ 1,167	$ 1,260

The Company has also used the non-IFRS measure of operating cash flows excluding changes in non-cash working capital. This measure is calculated by adding back the decrease in changes in non-cash working capital to cash generated by operating activities. These non-IFRS measures do not have any standardized meaning prescribed by IFRS, and other companies may calculate these measures differently.

The presentation of these non-IFRS measures 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.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2015, the Company had cash and cash equivalents of $5.3 million (December 31, 2014 – $90.2 million) and working capital of $1.8 million (December 31, 2014 – $89.3 million).

During the year ended December 31, 2015, the Company generated operating cash flows of $30.8 million compared with $35.2 million during the comparable period in 2014, with the decrease being primarily attributable to a decrease in the average realized selling price of gold; which was partially offset by an increase in Attributable Gold Equivalent ounces sold.

During the year ended December 31, 2015, the Company had cash outflows from investing activities of $221.4 million, which were primarily the result of: (i) the payment of $148 million to Yamana in connection with the Yamana commodity streams; (ii) the payment of $52.5 million to IAMGOLD Corporation in connection with the Diavik royalty and $3.0 million to Orezone in connection with the Bomboré royalty; (iii) a $6.7 million upfront payment related to the Karma Gold Stream; (iv) a loan of $2.0 million and (v) the acquisition of investments and other assets; partially offset by (i) the receipt of $7 million as a result of the Doray Minerals Ltd Gold Stream settlement agreement and (ii) the proceeds from the sale of other investments. During the year ended December 31, 2014, the Company had cash outflows from investing activities of $74.6 million, which were primarily the result of (i) Sandstorm exercising the Santa Elena underground mine option by making an upfront payment of $10.0 million; (ii) the acquisition of Sandstorm Metals & Energy; (iii) a $10.0 million loan to Luna; (iv) the $14.4 million upfront payment related to the Karma Gold Stream; (v) the acquisition of investments totaling $27.5 million; and (vi) providing a $2.9 million loan.

During the year ended December 31, 2015, the Company had net cash inflows from financing activities of $107.5 million largely related to: (i) drawing $110 million under the Company's Revolving Loan to finance the Yamana commodity streams; and (ii) $28.8 million raised in gross proceeds from the Company's November 2015 equity financing; which were partially offset by (i) the repayment of $26.5 million under the Company's Revolving Loan; (ii) share issuance and deferred financing costs of $3.1 million; and (iii) $1.7 million in the redemption of the Company's common shares under the NCIB. During the year ended December 31, 2014, the Company had net cash inflows from financing activities of $32.1 million, which were primarily comprised of the proceeds from the exercise of warrants partially offset by deferred financing costs and the redemption of the Company's common shares under the NCIB.

CONTRACTUAL OBLIGATIONS

In connection with its commodity streams, the Company has committed to purchase the following:

Stream	% of Life of Mine Gold or Relevant Commodity [5,6,7,8,9]	Per Ounce Cash Payment: lesser of amount below and the then prevailing market price of the gold (unless otherwise noted) [1, 2, 3, 4]
Bachelor Lake	20%	$500
Black Fox	8%	$518
Chapada	4.2%	30% of copper spot price
Entrée Gold	5.62% on Hugo North Extension and 4.26% on Heruga	$220
Karma	25,000 ounces over 5 years and 1.625% thereafter	20% of gold spot price
Ming	25% of the first 175,000 ounces of gold produced, and 12% thereafter	$nil
Santa Elena	20%	$357
Yamana Silver Stream	Varies	30% of silver spot price

1) *Subject to an annual inflationary adjustment except for Ming.*
2) *For the Entrée Gold Stream, after approximately 8.6 million ounces of gold have been produced from the joint venture property, the price increases to $500 per gold ounce.*
3) *For the Entrée Silver Stream, percentage of life of mine is 5.62% on Hugo North Extension and 4.26% on Heruga which the Company can purchase for the lesser of the prevailing market price and $5 per ounce of silver until 40.3 million ounces of silver have been produced from the entire joint venture property. Thereafter, the purchase price will increase to the lesser of the prevailing market price and $10 per ounce of silver.*
4) *For the Santa Elena Gold Stream, the Company can purchase for a per ounce cash payment equal to (i) the lesser of $357 and the then prevailing market price of gold for the open-pit mine and (ii) the lesser of $357 and the then prevailing market price of gold until 50,000 ounces of gold have been delivered to Sandstorm (inclusive of ounces already received from open-pit production), at which time the on-going per ounce payments will increase to the lesser of $450 and the then prevailing market price of gold for the underground mine.*
5) *For the Entrée Gold and Silver Stream, percentage of life of mine is 5.62% on Hugo North Extension and 4.26% on Heruga if the minerals produced are contained below 560 metres in depth.*
6) *For the Entrée Gold and Silver Stream, percentage of life of mine is 8.43% on Hugo North Extension and 6.39% on Heruga if the minerals produced are contained above 560 metres in depth.*
7) *For the Entrée copper stream, the Company has committed to purchase an amount equal to 0.42% of the copper produced from the Hugo North Extension and Heruga deposits. If the minerals produced are contained above 560 metres in depth, then the commitment increases to 0.62% for both the Hugo North Extension and Heruga deposits. Sandstorm will make ongoing per pound cash payments equal to the lesser of $0.50 and the then prevailing market price of copper, until 9.1 billion pounds of copper have been produced from the entire joint venture property. Thereafter, the on-going per pound payments will increase to the lesser of $1.10 and the then prevailing market price of copper.*
8) *For the Chapada copper stream, the Company has committed to purchase an amount equal to 4.2% of the copper produced (up to an annual maximum of 3.9 million pounds of copper) until Yamana has delivered 39 million pounds of copper to Sandstorm; then 3.0% of the copper produced until, on a cumulative basis, Yamana has delivered 50 million pounds of copper to Sandstorm; then 1.5% of the copper produced thereafter, for the life of the mine. If Cerro Moro has not achieved the Commencement of Production and Sandstorm has not received cumulative pre-tax cash flow equal to $70 million from the Yamana Silver Stream, then the First Chapada Delivery Threshold and the Second Chapada Delivery Threshold will cease to be in effect and Sandstorm will continue to purchase 4.2% of Chapada's payable copper production (up to an annual maximum of 3.9 million pounds of copper), until such time as Sandstorm has received cumulative pre-tax cash flow equal to $70 million, or Cerro Moro has achieved the Commencement of Production.*
9) *Under the terms of the Yamana Silver Stream, Sandstorm has agreed to purchase an amount of silver from Cerro Moro equal to 20% of the silver produced (up to an annual maximum of 1.2 million ounces of silver), until Yamana has delivered to Sandstorm 7.0 million ounces of silver; then 9.0% of the silver produced thereafter. As part of the Yamana Silver Stream, during the year 2016 through 2018, Sandstorm has also agreed to purchase an amount of silver from: (i) the Minera Florida mine in Chile equal to 38% of the silver produced (up to an annual maximum of 200,000 ounces of silver); and (ii) the Chapada mine in Brazil equal to 52% of the silver produced (up to an annual maximum of 100,000 ounces of silver).*

In connection with the Karma Gold Stream, the Stream Syndicate has provided True Gold with an 18 month option to increase funding by up to $20 million whereby Sandstorm's commitment would be up to $5 million of the increase. As of the date of the MD&A, the Company had remitted $1.25 million of that commitment.

In connection with the Bomboré royalty, Sandstorm has committed to providing up to an additional $5.0 million in royalty financing (remittable in cash and/or shares, subject to certain conditions) to Orezone on a draw down basis until January 27, 2017.

As part of the Yamana transaction, the Company drew on its Revolving Loan. The Company will, from time to time, repay balances outstanding on its Revolving Loan with operating cash flow and cash flow from other sources. The amounts drawn on the Revolving Loan remain subject to interest at LIBOR plus 3.00% – 4.25% per annum, and the undrawn portion of the Revolving Loan remains subject to a standby fee of 0.75% – 1.05% per annum, dependent on the Company's leverage ratio. The Revolving Loan matures in July 2019.

SHARE CAPITAL

As of March 30, 2016, the Company had 137,930,795 common shares outstanding. As disclosed previously, the funds from the issuance of share capital have been used to finance the acquisition of Gold Streams and royalties (recent acquisitions are described earlier in greater detail), with the net proceeds of the 2015 equity financing used to reduce the balance of the Company's Revolving Loan.

A summary of the Company's share purchase options as of March 30, 2016 are as follows:

Number outstanding	Vested	Exercise Price per Share (C$)	Expiry Date
66,000	66,000	$6.30	August 25, 2016
1,129,000	1,129,000	$6.35	November 25, 2016
27,000	27,000	$18.33	August 22, 2017
5,850	5,850	$18.33	October 4, 2017
402,133	402,133	$16.35	December 11, 2017
150,000	150,000	$11.78	December 21, 2017
10,875	10,875	$11.31	February 19, 2018
3,625	3,625	$10.62	March 1, 2018
12,375	12,375	$8.89	December 13, 2018
25,000	8,334	$6.03	May 16, 2019
3,737,474	1,245,834	$2.93	November 13, 2019
1,084,000	-	$3.60	December 9, 2020
200,000	-	$3.64	December 22, 2020
2,250	2,250	$15.00	March 30, 2022
6,855,582	**3,063,276**	**$6.70**	

A summary of the Company's warrants as of March 30, 2016 are as follows:

Number outstanding	Exercise Price per Share	Expiry Date
32,400	C$11.11	May 1, 2016
1,155,873	C$13.79	Dec. 4, 2016
5,002,500	$14.00	Sep. 7, 2017
3,000,000	$4.50	Mar. 23, 2020
15,000,000	$3.50	Oct. 26, 2020
5,043,900	$4.00	Nov. 3, 2020
29,234,673		

The Company has 1,395,517 Restricted Share Rights ("RSRs") outstanding as at March 30, 2016.

KEY MANAGEMENT PERSONNEL COMPENSATION

The remuneration of directors and those persons having authority and responsibility for planning, directing and controlling activities of the Company are as follows:

		Year Ended December 31, 2015		Year Ended December 31, 2014
Short-term employee salaries and benefits	$	2,345	$	1,921
Share-based payments		1,837		1,736
Total key management compensation expense	**$**	**4,182**	**$**	**3,657**

FINANCIAL INSTRUMENTS

The fair value of the Company's other financial instruments which include cash and cash equivalents, trade receivables and other, loans receivable, receivables and other, trade and other payables and bank debt. All financial instruments are initially recorded at fair value.

Credit Risk

The Company's credit risk is limited to cash and cash equivalents, trade receivables and other, loans receivable, and receivables and other in the ordinary course of business. The Company sells gold exclusively to third parties with a history in commodities. The Company's trade receivables and other is subject to the credit risk of the counterparties who own and operate the mines underlying Sandstorm's royalty portfolio. The Company's loan receivable and convertible debenture due from Luna is subject to Luna's credit risk and the Company's ability to realize on its security.

Currency Risk

Financial instruments that impact the Company's net (loss) income or other comprehensive (loss) income due to currency fluctuations include: cash and cash equivalents, trade receivables and other, investments and trade and other payables denominated in Canadian dollars. Based on the Company's Canadian dollar denominated monetary assets and monetary liabilities at December 31, 2015, a 10% increase (decrease) of the value of the Canadian dollar relative to the United States dollar would (decrease) increase net loss by $0.4 million and other comprehensive loss by $1.5 million, respectively.

Interest Rate Risk

The Company is exposed to interest rate risk on its outstanding borrowings. Presently, all of the Company's outstanding borrowings are at floating rates. The Company monitors its exposure to interest rates and has not entered into any derivative contracts to manage risk. During the year ended December 31, 2015, the weighted average effective interest rate paid by the Company on the amount drawn on its outstanding borrowings was 3.4% (2014- Revolving Loan facility was undrawn). A fluctuation in interest rates of 100 basis points (1 percent) would have affected finance expense by approximately $0.2 million.

Other Risks

Sandstorm holds common shares, convertible debentures, and warrants of other companies with a combined market value as at December 31, 2015, of $26.6 million (December 31, 2014 – $24.0 million). The daily exchange traded volume of these shares, including the shares underlying the warrants, may not be sufficient for the Company to liquidate its position in a short period of time without potentially affecting the market value of the shares. The Company is subject to default risk with respect to any debt instruments. Aside from the outstanding balance on the Company's revolving credit facility, the Company is not subject to other price risks. Except for the Company's exposure to liquidity risk with respect to the Luna Debenture and the revolving credit facility, 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 annual information form dated March 30, 2016, which is available on www.sedar.com.

Risks Relating To Mineral Projects

To the extent that they relate to the production of gold from, or the operation of, the Chapada Mine, the Cerro Moro Project, the Diavik Mine, the Aurizona Mine, the Santa Elena Mine, the Karma Project, the Ming Mine, the Black Fox Mine, the Bachelor Lake Mine, the Hugo North Extension and Heruga deposits, the Mt. Hamilton Project, the Gualcamayo Mine, the Emigrant Springs Mine, MWS, the San Andres Mine, the Bomboré Project, the Prairie Creek Project, the Bracemac-McLeod Mine, the Serra Pelada Mine, the Hot Maden Project, the Hackett River Project, the Lobo-Marte Project, Agi Dagi and Kirazli or other royalties in Sandstorm's portfolio (the "Mines"), the Company will be subject to the risk factors applicable to the operators of such Mines. Whether the Mines will be commercially viable depends on a number of factors, including cash costs associated with extraction and processing, the particular attributes of the deposit, such as size, grade and proximity to infrastructure, as well as metal prices which are highly cyclical and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The Mines are also subject to other risks that could lead to their shutdown and closure including flooding and weather related events, the failure to receive permits or having existing permits revoked, collapse of mining infrastructure including tailings pond, as well as community or social related issues. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Mines becoming uneconomic resulting in their shutdown and closure. The Company is not entitled to purchase gold if no gold is produced from the Mines.

No Control Over Mining Operations

The Company has no contractual rights relating to the operation or development of the Mines. Except for any payments which may be payable in accordance with applicable completion guarantees or cash flow guarantees, the Company will not be entitled to any material compensation if these mining operations do not meet their forecasted gold or other production targets in any specified period or if the Mines shut down or discontinue their operations on a temporary or permanent basis. The Mines may not commence commercial production within the time frames anticipated, if at all, and there can be no assurance that the gold or other production from such properties will ultimately meet forecasts or targets. At any time, any of the operators of the Mines or their successors may decide to suspend or discontinue operations. The Company is subject to the risk that the Mines shut down on a temporary or permanent basis due to issues including, but not limited to economics, lack of financial capital, floods, fire, mechanical malfunctions, social unrest, expropriation and other risks. There are no guarantees the Mines will achieve commercial production, ramp-up targets or complete expansion plans. These issues are common in the mining industry and can occur frequently.

Government Regulations

The Mines are subject to various foreign laws and regulations governing prospecting, exploration, development, production, exports, taxes, labour standards, waste disposal, protection and remediation of the environment, reclamation, historic and cultural resources preservation, mine safety and occupation health, handling, storage and transportation of hazardous substances and other matters. It is possible that the risks of expropriation, cancellation or dispute of licenses could result in substantial costs, losses and liabilities in the future. The costs of discovering, evaluating, planning, designing, developing, constructing, operating and closing the Mines in compliance with such laws and regulations are significant. It is possible that the costs and delays associated with compliance of such laws and regulations could become such that the owners or operators of the Mines would not proceed with the development of or continue to operate the Mines. Moreover, it is possible that future regulatory developments, such as increasingly strict environmental protection laws, regulations and enforcement policies thereunder, and claims for damages to property and persons resulting from the Mines could result in substantial costs and liabilities in the future.

International Operations

The Chapada Mine and the Aurizona Mine are located in Brazil, the Santa Elena Mine is located in Mexico, the Emigrant Springs Mine and the Mt. Hamilton Project are located in the United States of America, the Gualcamayo Mine and the Cerro Moro Project is located in Argentina, MWS is located in South Africa, the Hugo North Extension and Heruga projects are located in Mongolia, the Karma Project and Bomboré Project are located in Burkina Faso, the San Andres Mine is located in Honduras, the Hot Maden Project, Agi Dagi and Kirazli are located in Turkey, the Lobo-Marte Project is located in Chile, and each of the Diavik Mine, the Ming Mine, the Black Fox Mine, Bachelor Lake Mine, Prairie Creek Project, the Hackett River Project and the Bracemac-McLeod Mine are located in Canada and as such, the Mines are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to, terrorism, hostage taking, military repression, crime, political instability, currency controls, extreme fluctuations in currency exchange rates, high rates of inflation, labour unrest, the risks of war or civil unrest, expropriation and nationalization, renegotiation or nullification of existing concessions, licenses, permits, approvals and contracts, illegal mining, changes in taxation policies, restrictions on foreign exchange and repatriation, and changing political conditions, and governmental regulations. Changes, if any, in mining or investment policies or shifts in political attitude in Mexico, Brazil, Mongolia, the United States of America, Burkina Faso, Argentina, Honduras, French Guiana, Chile, Turkey or Canada may adversely affect the operations or profitability of the Mines in these countries. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use, mine safety and the rewarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Any changes or unfavorable assessments with respect to (i) the validity, ownership or existence of the Entrée concessions; as well as (ii) the validity or enforceability of Entrée's joint venture agreement with Oyu Tolgoi LLC may adversely affect the Company's profitability or profits realized under the Entrée Gold Stream. The Serra Pelada royalty cash flow or profitability may be adversely impacted if the Cooperative de Mineracao dos Garimpeiros de Serra Pelada, which hold a 25% interest in the Serra Pelada Mine, continue to take unfavorable actions. In addition, Colossus' Brazilian subsidiary has payables in excess of $30 million and accordingly, there is a risk that they may be unable to repay their debts, resulting in insolvency and loss any rights to the Serra Pelada Mine. Moreover, there is no certainty that the Karma Project will achieve its intended production and/or construction timeline, if ever. A failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Mines.

Income Taxes

The Company has a subsidiary in Barbados, Sandstorm Gold Bank Limited, which entered into Gold Streams in connection with the Aurizona, Karma, and Santa Elena transactions. No assurance can be given that new taxation rules will not be enacted or that existing rules will not be applied in a manner which could result in the Company's past and future profits being subject to increased levels of income tax (refer to discussion earlier). The Company's international transactions have not yet been reviewed by the Canada Revenue Agency, and should such transactions be reviewed no assurances can be given that the tax matters will be resolved favorably. The Company's Gold Streams and royalties in connection with Chapada, Cerro Moro, Diavik, Black Fox, Ming, Hugo North Extension and Heruga, MWS, Bachelor Lake, Mt. Hamilton, Prairie Creek, San Andres, Hot Maden Project, Hackett River Project, Lobo-Marte Project, Agi Dagi, Kirazli and Bracemac-McLeod transactions have been entered into directly by Canadian based subsidiaries and will therefore, be subject to Canadian, and/or U.S./international taxation, as the case may be. The Gualcamayo NSR was entered into through an Argentinian subsidiary and therefore, may be subject to Canadian, and/or Argentinian taxation, as the case may be. The Emigrant Springs NSR was entered into through a US subsidiary and therefore, may be subject to Canadian, and/or US taxation, as the case may be.

Gold and Silver Prices

The price of the common shares, warrants, and the Company's financial results may be significantly adversely affected by a decline in the price of gold and silver. The price of gold and silver fluctuates widely, especially in recent years, and is affected by numerous factors beyond the Company's control, including but not limited to, the sale or purchase of gold and silver by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the U.S. dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold and silver producing countries throughout the world. In the event that the prevailing market price of gold is less than $518 per ounce in the case of the Black Fox Gold Stream, $500 per ounce in the case of the Bachelor Lake Gold Stream, $357 or $450 per ounce in the case of the Santa Elena Gold Stream, and $220 per ounce in the case of the Hugo North Extension and Heruga Gold Stream, the purchase price will be the then prevailing market price per ounce of gold and the Company will not generate positive cash flow or earnings on those Gold Streams. Furthermore, if the gold or silver price drops below the cost of producing gold or silver at the Mines, then the Mines may not produce any gold or silver. As a result, the Company will not be entitled to purchase any gold or silver.

Diamond Prices and Demand for Diamonds

The price of the common shares, warrants, and the Company's financial results may be significantly adversely affected by a decline in the price and demand for diamonds. Diamond prices fluctuate and are affected by numerous factors beyond the control of the Company, including worldwide economic trends, worldwide levels of diamond discovery and production, and the level of demand for, and discretionary spending on, luxury goods such as diamonds. Low or negative growth in the worldwide economy, renewed or additional credit market disruptions, natural disasters or the occurrence of terrorist attacks or similar activities creating disruptions in economic growth could result in decreased demand for luxury goods such as diamonds, thereby negatively affecting the price of diamonds. Similarly, a substantial increase in the worldwide level of diamond production or the release of stocks held back during recent periods of lower demand could also negatively affect the price of diamonds. In each case, such developments could have a material adverse effect on the Company's results of operations.

Copper Prices

The price of the common shares, warrants, and the Company's financial results may be significantly adversely affected by a decline in the price of copper. Copper prices fluctuate widely and are affected by numerous factors beyond the Company's control, including global supply and demand, expectations with respect to the rate of inflation, the exchange rates of the U.S. dollar to other currencies, interest rates, forward selling by producers, central bank sales and purchases, production and cost levels in major producing regions, global or regional political, economic or financial situations and a number of other factors. Furthermore, if the copper price drops below the cost of producing copper at the Mines, then the Mines may not produce any copper. As a result, the Company will not be entitled to purchase any copper.

Solvency Risk

The price of the common shares and the Company's financial results may be significantly affected by the Mines operators' ability to continue as a going concern and have access to capital. The lack of access to capital could result in these companies entering bankruptcy proceedings and as a result, Sandstorm may not be able to realize any value from its respective streams or royalties.

OTHER

Critical Accounting Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenditures during the periods presented. Notes 2 and 4 of the Company's 2015 annual consolidated financial statements describes all of the significant accounting policies as well as the significant judgments and estimates.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's Chief Executive Officer and the Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. The Company's system of disclosure controls and procedures includes, but is not limited to, the Disclosure Policy, the Code of Conduct, the Stock Trading Policy, Corporate Governance, the effective functioning of the Audit Committee and procedures in place to systematically identify matters warranting consideration of disclosure by the Audit Committee.

As at the end of the period covered by this Management's Discussion and Analysis, management of the Company, with the participation of Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as required by National Instrument 52-109 in Canada ("NI 52-109") and under the Securities Exchange Act of 1934, as amended, in the United States. The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate in the circumstances. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of December 31, 2015, the disclosure controls and procedures (as defined in Rule 13(a) – 15(e) under the Securities Exchange Act of 1934) were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings and other reports filed or submitted under applicable securities laws, is recorded, processed, summarized and reported within time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting as such term is defined in the rules of the National Instrument 52-109 in Canada ("NI 52-109") and under the Securities Exchange Act of 1934, as amended, in the United States. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting for external purposes in accordance with IFRS as issued by the IASB.

The Company's internal control over financial reporting includes:

- maintaining records, that in reasonable detail, accurately and fairly reflect our transactions and dispositions of the assets of the Company;
- providing reasonable assurance that transactions are recorded as necessary for preparation of the consolidated financial statements in accordance with IFRS as issued by the IASB;
- providing reasonable assurance that receipts and expenditures are made in accordance with authorizations of management and the directors of the Company; and
- providing reasonable assurance that unauthorized acquisition, use or disposition of Company assets that could have a material effect on the Company's consolidated financial statements would be prevented or detected on a timely basis.

The Company's internal control over financial reporting may not prevent or detect all misstatements because of inherent limitations. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because changes in conditions or deterioration in the degree of compliance with the Company's policies and procedures. Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2015 based on the criteria set forth in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In connection with the assessment, management identified a material weakness relating to the review control over the impairment of long-lived assets. The material weakness could have resulted in a material misstatement related to the understatement of impairment expense and overstatement of mineral interests in the annual consolidated financial statement as at and for the year ended December 31, 2015. These misstatements were corrected prior to the issuance of the consolidated financial statements and therefore, there were no misstatements in the Company's current or prior period consolidated financial statements. In response to the identified material weakness, management is taking specific actions to address the material weakness. The enhancements include the following: (i) the Company had hired an additional resource to assist in its evaluation of the Company's financial reporting; and (ii) the Company has engaged an external search firm to assist in the hiring of a further additional resource to assist in the documentation and review of its internal controls. Remediation will require that changed or new controls operate for a sufficient period of time such that effectiveness of those changes is demonstrated with an appropriate amount of consistency. As the Company implements these plans, management may determine that additional steps may be necessary.

Deloitte LLP, the Company's Independent Registered Public Accounting Firm, have audited the annual consolidated financial statements of the Company for the year ended December 31, 2015, and have also issued a report on the internal controls over financial reporting based on the criteria established in the *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Changes in Internal Controls

Other than the material weakness described above, during the year ended December 31, 2015, there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations of Controls and Procedures

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

Future Changes in Accounting Policies

The IASB has issued the following new standard but it is not yet effective. Pronouncements that are not applicable to the Company have been excluded from this note.

IFRS 15 *Revenue from Contracts with Customers* — The final standard on revenue from contracts with customers was issued on May 28, 2014 and is effective for annual reporting periods beginning after January 1, 2018 for public entities with early application permitted. Entities have the option of using either a full retrospective or a modified retrospective approach to adopt the guidance. The Company is assessing the impact of this Standard.

FORWARD LOOKING STATEMENTS

This MD&A and any exhibits attached hereto and incorporated herein, if any, contain "forward-looking statements", within the meaning of the U.S. Securities Act of 1933, as amended, the U.S. Securities exchange Act of 1934, as amended, the United States Private Securities Litigation Reform Act of 1995, and applicable Canadian and other securities legislation, concerning the business, operations and financial performance and condition of Sandstorm. 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 Chapada Mine, the Cerro Moro Project, the Ming Mine, the Gualcamayo Mine, the Karma Project, the Emigrant Springs Mine, MWS, the Hugo North Extension and Heruga deposits, the mines underlying the Sandstorm portfolio of royalties, the Bachelor Lake Mine, the Diavik Mine, the Mt. Hamilton mine, the Prairie Creek Project, the San Andres Mine, the Bomboré Project, the Hot Maden Project, the Hackett River Project, the Lobo-Marte Project, Agi Dagi and Kirazli or the Bracemac-McLeod Mine; the absence of control over mining operations from which Sandstorm will purchase gold and risks related to those mining operations, including risks related to international operations, government and environmental regulation, actual results of current exploration activities, conclusions of economic evaluations and changes in project parameters as plans continue to be refined; problems inherent to the marketability of minerals; industry conditions, including fluctuations in the price of metals, fluctuations in foreign exchange rates and fluctuations in interest rates; government entities interpreting existing tax legislation or enacting new tax legislation in a way which adversely affects Sandstorm; stock market volatility; competition; as well as those factors discussed in the section entitled "Risks to Sandstorm" herein and those risks described in the section entitled "Risk Factors" contained in Sandstorm's most recent Annual Information Form for the year ended December 31, 2015 available at www.sedar.com and www.sec.gov and incorporated by reference herein.

Forward-looking information in this MD&A includes, among other things, disclosure regarding: Sandstorm's existing Gold Streams and royalties as well as its future outlook, the mineral reserve and mineral resource estimates for each of the Chapada Mine, the Cerro Moro Project, the Diavik Mine, the Aurizona Mine, the Gualcamayo Mine, the Emigrant Springs Mine, MWS, the Santa Elena Mine, the Ming Mine, the Black Fox Mine, the Hugo North Extension and Heruga deposits, the Karma Project, the mines underlying the Sandstorm portfolio of royalties, the Bachelor Lake Mine, the Mt. Hamilton Mine, the Prairie Creek Project, the San Andres Mine, the Bomboré Project, the Hot Maden Project, the Hackett River Project, the Lobo-Marte Project, Agi Dagi and Kirazli and the Bracemac-McLeod Mine. Forward-looking information is based on assumptions management believes to be reasonable, including but not limited to the continued operation of the mining operations from which Sandstorm will purchase gold, no material adverse change in the market price of commodities, that the mining operations will operate in accordance with their public statements and achieve their stated production outcomes, and such other assumptions and factors as set out therein.

Although Sandstorm has attempted to identify important factors that could cause actual actions, events or results to differ materially from those contained in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Sandstorm Gold Ltd. and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management on a going concern basis in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not exact since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the financial statements.

Sandstorm Gold Ltd. maintains systems of internal accounting and administrative controls in order to provide, on a reasonable basis, assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board, and all of its members are independent directors. The Committee meets at least four times a year with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the quarterly and the annual reports, the financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or reappointment of the external auditors. The consolidated financial statements have been audited by Deloitte LLP, Chartered Professional Accountants, in accordance with Canadian generally accepted auditing standards and standards of the Public Company Accounting Oversight Board (United States) on behalf of the shareholders. Deloitte LLP have full and free access to the Audit Committee.

“Nolan Watson”	“Erfan Kazemi”
President & Chief Executive Officer	Chief Financial Officer

March 30, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Sandstorm Gold Ltd.

We have audited the accompanying consolidated financial statements of Sandstorm Gold Ltd. and subsidiaries (the “Company”), which comprise the consolidated statements of financial position as at December, 31 2015 and December 31, 2014, and the consolidated statement of (loss) income, consolidated statements of comprehensive (loss) income, consolidated statements of changes in equity, and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sandstorm Gold Ltd. and subsidiaries as at December 31, 2015 and December 31, 2014, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 30, 2016 expressed an adverse opinion on the Company’s internal control over financial reporting.

/S/ Deloitte LLP

Chartered Professional Accountants
March 30, 2016
Vancouver, Canada

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Sandstorm Gold Ltd.

We have audited the internal control over financial reporting of Sandstorm Gold Ltd. and subsidiaries (the "Company") as of December 31, 2015, based on the criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Managements Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment: management identified a material weakness relating to the review control over the impairment of long-lived assets. The material weakness could have resulted in a material misstatement related to the understatement of impairment expense and overstatement of mineral interests in the consolidated financial statements as at and for the year ended December 31, 2015. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements as of and for the year ended December 31, 2015, of the Company and this report does not affect our report on such consolidated financial statements dated March 30, 2016, which expressed an unmodified/unqualified opinion on those consolidated financial statements.

In our opinion, because of the effect of the material weakness identified above on the achievement of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2015 of the Company and our report dated March 30, 2016 expressed an unmodified/unqualified opinion on those consolidated financial statements.

/S/ Deloitte LLP

Chartered Professional Accountants
March 30, 2016
Vancouver, Canada

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Expressed in U.S. dollars ($000s)

ASSETS	Note	December 31, 2015	December 31, 2014
Current			
Cash and cash equivalents		$ 5,346	$ 90,224
Trade receivables and other		3,876	2,746
		$ 9,222	**$ 92,970**
Non-current			
Mineral interests and royalties	7	$ 414,363	$ 261,882
Investments	8	26,580	23,989
Deferred financing costs	9	2,220	2,138
Loan receivable	7	23,821	21,155
Deferred income tax assets	11	19,650	27,600
Receivables and other		1,017	1,336
Total assets		**$ 496,873**	**$ 431,070**
LIABILITIES			
Current			
Trade and other payables		$ 7,443	$ 3,631
Non-current			
Bank debt	9	83,500	-
Deferred income tax liabilities	11	3,279	5,892
		86,779	5,892
		$ 94,222	**$ 9,523**
EQUITY			
Share capital	10	$ 491,769	$ 456,670
Reserves	10	23,368	21,132
Deficit		(60,926)	(17,870)
Accumulated other comprehensive loss		(51,560)	(38,385)
		$ 402,651	**$ 421,547**
Total liabilities and equity		**$ 496,873**	**$ 431,070**

Contractual obligations (Note 15)
Subsequent events (Note 17)

ON BEHALF OF THE BOARD:

"Nolan Watson", Director "David DeWitt", Director

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

CONSOLIDATED STATEMENTS OF (LOSS) INCOME

Expressed in U.S. dollars ($000s)

	Note		Year Ended December 31, 2015		Year Ended December 31, 2014 (note 2 b)
Sales	16	$	38,585	$	43,690
Royalty revenue	16		14,078		12,804
		$	**52,663**	**$**	**56,494**
Cost of sales, excluding depletion		$	13,566	$	14,383
Depletion			35,312		27,913
Total cost of sales		**$**	**48,878**	**$**	**42,296**
Gross Profit		**$**	**3,785**	**$**	**14,198**
Expenses and other (income)					
· Administration expenses [1]	12	$	5,690	$	4,535
· Project evaluation [1]			4,346		3,137
· Foreign exchange gain			(1,532)		(2,091)
· Loss on revaluation of investments	8		12,463		951
· Finance income			(1,610)		(1,596)
· Finance expenses and other			1,693		1,346
· Gain on restructuring of mineral interest, bargain purchase and other	6 (b), 7 (b)		(4,966)		(2,565)
· Mineral interest impairments	7 (c)		21,645		1,215
(Loss) income before taxes		**$**	**(33,944)**	**$**	**9,266**
Current income tax expense	11	$	871	$	1,062
Deferred income tax expense (recovery)	11		8,241		(3,311)
			9,112		(2,249)
Net (loss) income for the year		**$**	**(43,056)**	**$**	**11,515**
Basic (loss) earnings per share		$	(0.36)	$	0.10
Diluted (loss) earnings per share		$	(0.36)	$	0.09
Weighted average number of common shares outstanding					
· Basic	10 (e)		119,622,450		112,852,945
· Diluted	10 (e)		119,622,450		121,398,498
[1] Equity settled stock based compensation (a non-cash item) is included in administration expenses and project evaluation		$	2,706	$	2,096

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

Expressed in U.S. dollars ($000s)

	Note	Year Ended December 31, 2015	Year Ended December 31, 2014
Net (loss) income for the year		**$ (43,056)**	**$ 11,515**
Other comprehensive loss for the year			
Items that may subsequently be re-classified to net income (loss):			
· Currency translation differences		$ (5,668)	$ (6,727)
Items that will not subsequently be re-classified to net income (loss):			
· Unrealized loss on investments	8	(7,507)	(19,909)
Total other comprehensive loss for the year		**$ (13,175)**	**$ (26,636)**
Total comprehensive loss for the year		**$ (56,231)**	**$ (15,121)**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in U.S. dollars ($000s)

Cash flow from (used in):	Note	Year Ended December 31, 2015	Year Ended December 31, 2014
Operating activities			
· Net (loss) income for the year		$ (43,056)	$ 11,515
· *Items not affecting cash:*			
· Mineral interest impairments	7 (c)	21,645	1,215
· Depletion and depreciation and financing amortization		35,998	28,579
· Deferred income tax expense (recovery)	11	8,116	(3,321)
· Share-based payment		2,706	2,096
· Loss on revaluation of investments		12,463	951
· Unrealized foreign exchange gain		(1,687)	(2,231)
· Interest on loan receivable and other		(674)	(853)
· Gain on restructuring of mineral interest, bargain purchase and other	6 (b), 7(b)	(4,966)	(2,565)
· Changes in non-cash working capital	13	274	(162)
		$ 30,819	**$ 35,224**
Investing activities			
· Acquisition of mineral interests and royalties	7	$ (217,345)	$ (27,907)
· Acquisition of investments and other assets	7,8	(14,398)	(27,508)
· Proceeds from disposition of investments and other assets		11,039	-
· Acquisition of Gold Royalties Corp., net of cash acquired of $1.3M	6 (a)	1,288	-
· Acquisition of Sandstorm Metals & Energy Ltd., net of cash acquired of $4.1M	6 (b)	-	(6,242)
· Loan issuance		(1,993)	(12,893)
		$ (221,409)	**$ (74,550)**
Financing activities			
· Bank debt drawn	9	$ 110,000	$ -
· Bank debt repaid	9	(26,500)	-
· Proceeds on equity financing and exercise of warrants and options	10	28,789	34,937
· Redemption of common share purchase warrants – Premier Royalty		-	(1,164)
· Share issue and deferred financing costs	9, 10	(3,128)	(985)
· Redemption of common shares (normal course issuer bid)	10	(1,708)	(682)
		$ 107,453	**$ 32,106**
Effect of exchange rate changes on cash and cash equivalents		$ (1,741)	$ (1,492)
Net decrease in cash and cash equivalents		(84,878)	(8,712)
Cash and cash equivalents – beginning of the year		90,224	98,936
Cash and cash equivalents – end of the year		**$ 5,346**	**$ 90,224**
Cash and cash equivalents, at the end of the year			
Cash at bank		$ 5,346	$ 20,647
Short-term deposit		$ -	$ 69,577

Supplemental cash flow information (note 13)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Expressed in U.S. dollars ($000s)

		Share Capital		Reserves				
	Note	Number	Amount	Share Options	Share Purchase Warrants	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
At January 1, 2014		**100,028,138**	**$ 383,082**	**$ 8,083**	**$ 20,105**	**$ (29,385)**	**$ (11,749)**	**$ 370,136**
Shares issued on exercise of warrants	10 (a)	11,041,020	41,013	-	(7,796)	-	-	33,217
Options exercised	10 (b)	862,000	2,291	(570)	-	-	-	1,721
Share issue costs		-	(27)	-	-	-	-	(27)
Expiration of unexercised warrants		-	192	-	(192)	-	-	-
Shares issued on acquisition of Sandstorm Metals & Energy Ltd.	6 (b)	5,698,216	30,078	-	-	-	-	30,078
Issuance of replacement equity awards	6 (b)	-	-	129	-	-	-	129
Vesting of restricted stock rights		70,898	723	(723)	-	-	-	-
Redemption of common shares (normal course issuer bid)		(222,090)	(682)	-	-	-	-	(682)
Share based payment		-	-	2,096	-	-	-	2,096
Net income for the year		-	-	-	-	11,515	-	11,515
Other comprehensive loss		-	-	-	-	-	(26,636)	(26,636)
At December 31, 2014		**117,478,182**	**$ 456,670**	**$ 9,015**	**$ 12,117**	**$ (17,870)**	**$ (38,385)**	**$ 421,547**
Shares issued		10,087,800	27,136	-	1,614	-	-	28,750
Options exercised	10 (b)	155,000	684	(170)	-	-	-	514
Vesting of restricted stock rights		77,138	725	(725)	-	-	-	-
Expiration of unexercised warrants		-	4,388	-	(4,388)	-	-	-
Redemption of common shares (normal course issuer bid) and other	10 (a)	(518,123)	(1,708)	(475)	-	-	-	(2,183)
Issuance of warrants	7 (b)	-	-	-	3,674	-	-	3,674
Share issuance costs (net of tax of $1.0 million)		-	(1,561)	-	-	-	-	(1,561)
Shares issued on acquisition of Gold Royalties Corporation and other	6 (a)	1,600,317	5,435	-	-	-	-	5,435
Share based payment		-	-	2,706	-	-	-	2,706
Net loss for the year		-	-	-	-	(43,056)	-	(43,056)
Other comprehensive loss		-	-	-	-	-	(13,175)	(13,175)
At December 31, 2015		**128,880,314**	**$ 491,769**	**$ 10,351**	**$ 13,017**	**$ (60,926)**	**$ (51,560)**	**$ 402,651**

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

Notes to the Consolidated Financial Statements December 31, 2015

Expressed in U.S. dollars

1. NATURE OF OPERATIONS

Sandstorm Gold Ltd. was incorporated under the Business Corporations Act of British Columbia on March 23, 2007. Sandstorm Gold Ltd. and its subsidiary entities ("Sandstorm", “Sandstorm Gold” or the "Company") is a resource-based company that seeks to acquire gold and other precious metal purchase agreements (“Gold Streams” or “Silver Streams”) and royalties from companies that have advanced stage development projects or operating mines. In return for making an upfront payment to acquire a Gold Stream, Sandstorm receives the right to purchase, at a fixed price per unit, a percentage of a mine’s production for the life of the mine.

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 consolidated financial statements were authorized for issue by the Board of Directors of the Company on March 30, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

B. Basis of Presentation

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

The consolidated financial statements are presented in United States dollars, and all values are rounded to the nearest thousand except as otherwise indicated.

The Company has allocated certain salary and related costs and stock based compensation to project evaluation in the Consolidated Statement of (Loss) Income during the year ended December 31, 2015. The comparative figures have been adjusted to reflect the reallocation of these costs from administration expense to project evaluation. The adjustment resulted in a decrease of administration expenses and an increase in project evaluation by $2.4 million, respectively.

C. Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Sandstorm Gold Bank Limited, Sandstorm Gold (Canada) Holdings Ltd., Bridgeport Gold Inc., Inversiones Mineras Australes Holdings (BVI) Inc., Inversiones Mineras Australes S.A., Premier Royalty U.S.A. Inc., Sandstorm Metals & Energy Ltd., Sandstorm Metals & Energy (Canada) Holdings Ltd, Sandstorm Metals & Energy (Canada) Ltd. and Sandstorm Metals & Energy (US) Inc. Subsidiaries are fully consolidated from the date the Company obtains control, and continue to be consolidated until the date that control ceases. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intercompany balances, transactions, revenues and expenses have been eliminated on consolidation.

D. Business Combinations

On the acquisition of a business, the acquisition method of accounting is used, whereby the purchase consideration is allocated to the identifiable assets and liabilities on the basis of fair value at the date of acquisition. Provisional fair values allocated at a reporting date are finalized as soon as the relevant information is available, within a period not to exceed twelve months from the acquisition date with retrospective restatement of the impact of adjustments to those provisional fair values effective as at the acquisition date. Incremental costs related to acquisitions are expensed as incurred.

When the amount of purchase consideration is contingent on future events, the initial cost of the acquisition recorded includes an estimate of the fair value of the contingent amounts expected to be payable in the future. When the fair value of contingent consideration as at the date of acquisition is finalized before the purchase price allocation is finalized, the adjustment is allocated to the identifiable assets and liabilities acquired. Subsequent changes to the estimated fair value of contingent consideration are recorded in the consolidated statement of (loss) income.

When the cost of the acquisition exceeds the fair values of the identifiable net assets acquired, the difference is recorded as goodwill. If the fair value attributable to the Company’s share of the identifiable net assets exceeds the cost of acquisition, the difference is recognized as a gain in the consolidated statement of (loss) income.

Non-controlling interests represent the fair value of net assets in subsidiaries, as at the date of acquisition, which are not held by the Company and are presented in the equity section of the consolidated statement of financial position.

E. Goodwill

The Company allocates goodwill arising from business combinations to each cash-generating unit or group of cash-generating units that are expected to receive the benefits from the business combination. Irrespective of any indication of impairment, the recoverable amount of the cash-generating unit or group of cash-generating units to which goodwill has been allocated is tested annually for impairment and when there is an indication that the goodwill may be impaired. Any impairment is recognized as an expense immediately. Any impairment of goodwill is not subsequently reversed.

F. Mineral Interest and Royalties

Agreements for which settlements are called for in gold or other commodities the amount of which is based on production at the mines and capitalized on a property by property basis, are recorded at cost less accumulated depletion and impairment loss, if any. Project evaluation costs that are not related to a specific agreement are expensed in the period incurred.

Producing mineral interests are depleted using the units-of-production method over the life of the property to which the interest relates, which is estimated using available information of proven and probable reserves and the portion of resources expected to be classified as mineral reserves at the mine corresponding to the specific agreement. For those mineral interests that have commenced production, all costs associated with mineral interests are depleted and no amounts would remain classified as non-depletable.

The acquisition costs of acquired resources and exploration potential is recorded as an asset (non-depletable interest) on the acquisition date. The value of the exploration potential is classified as non-depletable and accounted for in accordance with IFRS 6, Exploration and Evaluation of Mineral Resources until such time as the technical feasibility and commercial viability have been established at which point the value of the exploration potential is classified as either depletable or non-depletable in accordance with IAS16, Property, Plant and Equipment.

G. Impairment of Mineral Interests

Evaluation of the carrying values of each mineral property is undertaken when events or changes in circumstances indicate that the carrying values may not be recoverable. If any indication of impairment exists, the recoverable amount is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of the fair value less costs to sell and value in use. Estimated values in use are calculated using estimated production, sales prices, and a discount rate. Estimated production is determined using current reserves and the portion of resources expected to be classified as mineral reserves. Estimated sales prices are determined using an average of long-term metal price forecasts by analysts and management's expectations. The discount rate is estimated using the average discount rate used by analysts to value precious metal royalty companies. If it is determined that the recoverable amount is less than the carrying value then an impairment is recorded with a charge to net income (loss).

An assessment is made at each reporting period if there is any indication that a previous impairment loss may no longer exist or has decreased. If indications are present, the carrying amount of the mineral interest is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount net of depletion that would have been determined had no impairment loss been recognized for the mineral interest in previous periods.

H. Revenue Recognition

Revenue from the sale of precious metals is recognized when persuasive evidence of an arrangement exists, title and risk passes to the buyer, collection is reasonably assured and the price is reasonably determinable. Selling prices are determined at the point revenue is recognized by reference to active and freely traded commodity markets, for example the London Bullion Market for commodities, in an identical form to the product sold. Revenue from the sale of gold may be subject to adjustment upon final settlement of estimated metal prices, weights, and assays. Provisionally-priced revenues are initially recognized based on forward prices. Adjustments to revenue from metal prices are recorded at each reporting period and other adjustments are recorded on final settlement and are offset against revenue when incurred.

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably). Royalty arrangements are based on production, sales and/or other measures and are recognised by reference to the underlying arrangement.

I. Foreign Currency Translation

The functional currency of the Company and its subsidiaries is the principal currency of the economic environment in which they operate. For the Company and its subsidiaries Sandstorm Gold Bank Limited, Sandstorm Gold (Canada) Ltd., Bridgeport Gold Inc., Inversiones Mineras Australes Holdings (BVI) Inc., Premier Royalty U.S.A. Inc., Sandstorm Metals & Energy Ltd., Sandstorm Metals & Energy (Canada) Holdings Ltd, Sandstorm Metals & Energy (Canada) Ltd. and Sandstorm Metals & Energy (US) Inc. the functional currency is the U.S. dollar.

For Inversiones Mineras Australes S.A., the functional currency of this subsidiary is the Argentine Peso. To translate Inversiones Mineras Australes S.A. to the presentation currency of the U.S. dollar, all assets and liabilities are translated using the exchange rate as of the reporting date and all income and expenses are translated using the exchange rate at the dates of transactions. All resulting exchange differences are recognized in other comprehensive income (loss).

Transactions in foreign currencies are initially recorded in the entity’s functional currency as the rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing rate as at the reporting date.

J. Financial Instruments

The Company has adopted IFRS 9, Financial Instruments, effective January 1, 2010. The Company's financial instruments consist of cash and cash equivalents, trade receivables and other, investments, loans receivable, trade and other payables, and bank debt. All financial instruments are initially recorded at fair value and designated as follows:

Investments in common shares held are classified as fair value through other comprehensive income ("FVTOCI"), as these are held for long-term strategic purposes and provide a more meaningful presentation based on management's intention, rather than reflecting changes in fair value in net income. Cash and cash equivalents, trade receivables and other, and loans receivable are classified as financial assets at amortized cost and trade and other payables and bank debt are classified as other financial liabilities and these are measured at amortized cost using the effective interest method.

Investments in warrants and convertible debt instruments are classified as fair value through profit or loss ("FVTPL"). These warrants and convertible debt instruments are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized as a component of net income (loss) under the classification of loss on revaluation of investments.

Transaction costs on initial recognition of financial instruments classified as FVTPL are expensed as incurred. Transaction costs incurred on initial recognition of financial instruments classified as loans and receivables and other financial liabilities are recognized at their fair value amount and offset against the related loans and receivables or capitalized when appropriate.

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire. Financial liabilities are derecognized only when the Company's obligations are discharged, cancelled or they expire. All gains and losses as a result of changes in fair value for FVTPL financial instruments are included in net income (loss) in the period they occur.

Common share purchase warrants, which provide the holder the right to settle in cash, are considered derivative instruments. As such, they are classified as financial liabilities measured at FVTPL and are re-measured at fair value at the end of each reporting period with all changes being recognized as a component net income (loss) under the classification of loss on revaluation of investments.

K. Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Financial assets are considered to be impaired if objective evidence indicates that a change in the market, economic or legal environment in which the Company invested has had a negative effect on the estimated future cash flows of that asset. An impairment loss for a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rates. Impairment losses are recognized in profit and loss. For financial assets measured at amortized cost, any reversal of impairment is recognized in profit and loss.

L. Inventory

Inventory is valued at the lower of specifically identifiable cost and net realizable value. Costs included are the agreed upon purchase price under the Gold Stream and depletion of the applicable mineral interest.

M. Cash and Cash Equivalents

Cash and cash equivalents include cash on account, demand deposits and money market investments with maturities from the date of acquisition of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant changes in value.

N. Income Taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used are those that are substantively enacted at the reporting date.

Deferred income taxes are provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for accounting. The change in the net deferred income tax asset or liability is included in income except for deferred income tax relating to equity items which is recognized directly in equity. The income tax effects of differences in the periods when revenue and expenses are recognized in accordance with Company accounting practices, and the periods they are recognized for income tax purposes are reflected as deferred income tax assets or liabilities. Deferred income tax assets and liabilities are measured using the substantively enacted statutory income tax rates which are expected to apply to taxable income in the years in which the assets are realized or the liabilities settled. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available for utilization.

Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity and are intended to be settled on a net basis.

The determination of current and deferred taxes requires interpretations of tax legislation, estimates of expected timing of reversal of deferred tax assets and liabilities, and estimates of future earnings.

O. Share Capital and Share Purchase Warrants

The proceeds from the issue of units are allocated between common shares and share purchase warrants (with an exercise price denominated in U.S. dollars) on a pro-rata basis based on relative fair values at the date of issuance. The fair value of common shares is based on the market closing price on the date the units are issued and the fair value of share purchase warrants is determined using the quoted market price or if the warrants are not traded, using the Black-Scholes Model (“BSM”) as of the date of issuance. Equity instruments issued to agents as financing costs are measured at their fair value at the date the services were provided.

P. Earnings Per Share

Basic earnings per share is computed by dividing the net income available to common shareholders by the weighted average number of common shares issued and outstanding during the period. Diluted earnings per share is calculated assuming that outstanding share options and share purchase warrants, with an average market price that exceeds the average exercise prices of the options and warrants for the year, are exercised and the proceeds are used to repurchase shares of the Company at the average market price of the common shares for the year.

Q. Share Based Payments

The Company recognizes share based compensation expense for all share purchase options and restricted share rights ("RSR's") awarded to employees, officers and directors based on the fair values of the share purchase options and RSRs at the date of grant. The fair values of share purchase options and RSRs at the date of grant are expensed over the vesting periods of the share purchase options and RSRs, respectively, with a corresponding increase to equity. The fair value of share purchase options is determined using the BSM with market related inputs as of the date of grant. Share purchase options with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. The fair value of RSRs is the market value of the underlying shares at the date of grant. At the end of each reporting period, the Company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of any revisions to this estimate in the consolidated statement of income (loss).

The BSM requires management to estimate the expected volatility and term of the equity instrument, the risk-free rate of return over the term, expected dividends, and the number of equity instruments expected to ultimately vest. Volatility is estimated using the historical stock price of the Company, the expected term is estimated using historical exercise data, and the expected number of equity instruments expected to vest is estimated using historical forfeiture data.

R. Related Party Transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or significant influence. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

S. Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. All operating segments' results are reviewed regularly by the Company's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3. FUTURE CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following new standard but it is not yet effective. Pronouncements that are not applicable to the Company have been excluded from this note:

IFRS 15 *Revenue from Contracts with Customers*— The final standard on revenue from contracts with customers was issued on May 28, 2014 and is effective for annual reporting periods beginning after January 1, 2018 for public entities with early application permitted. Entities have the option of using either a full retrospective or a modified retrospective approach to adopt the guidance. The Company is assessing the impact of this Standard.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Information about significant areas of estimation uncertainty and judgments made by management in preparing the consolidated financial statements are described below.

A. Accounting For Mineral Interests

The Company's business is the acquisition of Gold Streams and royalties. Management accounts for these agreements as mineral interests as they consider the associated mining risks when evaluating the assets to be acquired and assessing the mineral interests over the life of the related mine.

B. Investments

In the normal course of operations, the Company invests in equity interests of other entities. In such circumstances, management considers whether the facts and circumstances pertaining to each such investment result in the Company obtaining control, joint control or significant influence over the investee entity. In some cases, the determination of whether or not the Company controls, jointly controls or significantly influences the investee entities requires the application of significant management judgment to consider individually and collectively such factors as:

- The purpose and design of the investee entity.
- The ability to exercise power, through substantive rights, over the activities of the investee entity that significantly affect its returns.
- The size of the company's equity ownership and voting rights, including potential voting rights.
- The size and dispersion of other voting interests, including the existence of voting blocks.
- Other investments in or relationships with the investee entity including, but not limited to, current or possible board representation, royalty and/or stream investments, loans and other types of financial support, material transactions with the investee entity, interchange of managerial personnel or consulting positions.
- Other relevant and pertinent factors.

If the Company determines that it controls an investee entity, it consolidates the investee entity's financial statements as further described in note 2. If the Company determines that it jointly controls (a joint venture) or has significant influence (an associate) over an investee entity, then it uses the equity method of accounting to account for its investment in that investee entity.

Under the equity method of accounting, the Company's investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the Company's share of the investee entity's net assets. The Company's profit or loss and other comprehensive (loss) income includes its share of the investee entity's profit or loss and other comprehensive (loss) income. If the Company's share of the investee entity's losses equals or exceeds its interest in the joint venture or associate, and the corresponding investment balance is reduced to zero, the Company stops recognizing its share of further losses, unless the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture or associate, in which case a liability is recognized.

If, after careful consideration, it is determined that the Company neither has control, joint control or significant influence over an investee entity, the Company accounts for the corresponding investment in equity interest at fair value through other comprehensive income as further described in note 2.

C. Attributable Reserve and Resource Estimates

Mineral interests and royalties are a significant asset of the Company, with a carrying value of $414.4 million at December 31, 2015 (2014: $261.9 million). This amount represents the capitalized expenditures related to the acquisition of the gold interests net of accumulated depletion and any impairments. The Company estimates the reserves and resources relating to each agreement. Reserves are estimates of the amount of gold that can be economically and legally extracted from the mining properties at which the Company has precious metal purchase agreements, adjusted where applicable to reflect the Company's percentage entitlement to gold produced from such mines. The Company estimates its reserves and resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of the Company's gold interests and depletion charges.

D. Depletion

The Company's mineral and royalty interests are depleted on a units-of-production basis, with estimated recoverable reserves and resources being used to determine the depletion rate for each of the Company's mineral and royalty interests. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves. Changes in the estimated recoverable reserves, resources or exploration potential will directly impact the depletion rate used. Changes to depletion rates are accounted for prospectively.

E. Income Taxes

The interpretation of existing tax laws or regulations in Canada, Barbados, the United States of America, Australia, Argentina, Chile or any of the countries in which the mining operations are located or to which shipments of gold are made requires the use of judgment. Differing interpretation of these laws or regulations could result in an increase in the Company's taxes, or other governmental charges, duties or impositions. In addition, the recoverability of deferred income tax assets, including expected periods of reversal of temporary differences and expectations of future taxable income, are assessed by management at the end of each reporting period and adjusted, as necessary, on a prospective basis.

F. Impairment of Assets

Management considers each mineral and royalty interest to be a separate cash generating unit, which is the lowest level for which cash inflows are largely independent of those of other assets. At the end of each reporting period, the Company reviews the carrying amounts of each mineral and royalty interest to determine whether there is any indication that those mineral and royalty interests have suffered an impairment loss. If such an indication exists, the recoverable amount of the mineral and royalty interest is estimated in order to determine the extent of the impairment (if any). The recoverable amount of each mineral and royalty interest is the higher of fair value less costs to sell ("Fair Value approach") and value in use.

Under the Fair Value approach, the net present value ("NPV") methodology is used. NPV is estimated by using a discount rate to calculate the present value of expected future cash flows. The discount rate is based on the Company's weighted average cost of capital, adjusted for various risks. The expected future cash flows are management's best estimates of expected future revenues and costs. Under each method, expected future revenues reflect the estimated future production for each mine at which the Company has a Gold Stream or royalty based on detailed life of mine plans received from each of the partners. Included in these forecasts is the production of mineral resources that do not currently qualify for inclusion in proven and probable ore reserves where there is a high degree of confidence in its economic extraction. This is consistent with the methodology that is used to measure value beyond proven and probable reserves when allocating the purchase price to acquired mineral and royalty interests. Expected future revenues also reflect management's estimated long term metal prices, which are determined based on current prices, forward pricing curves and forecasts of expected long-term metal prices prepared by analysts. These estimates often differ from current price levels, but are consistent with how a market participant would assess future long-term metal prices. Estimated future cash costs are fixed based on the terms of each Gold Stream or royalty, as disclosed in note 15 to the financial statements.

If the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and an impairment charge is reflected as a component of net income (loss) so as to reduce the carrying amount to its recoverable value. A previously recognized impairment charge is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment charge was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depletion, had no impairment charge been recognized for the asset in prior years. Such reversal is reflected as a component of net income (loss).

At December 31, 2015, the Company recorded an impairment charge of $21.6 million ($1.2 million- year ended December 31, 2014).

5. FINANCIAL INSTRUMENTS

A. Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of $402.7 million ($421.6 million – December 31, 2014) of equity attributable to common shareholders, comprising of issued capital (note 10), accumulated reserves (note 10) and deficit. The Company was not subject to any externally imposed capital requirements with the exception of complying with certain covenants under the credit agreement governing bank debt (note 9). The Company is in compliance with the debt covenants described in note 9 as at December 31, 2015.

B. Fair Value Estimation

The fair value hierarchy establishes three levels to classify the inputs of valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

Level 1 | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. Investments in common shares and warrants held that have direct listings on an exchange are classified as Level 1.

Level 2 | Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liabilities. Investments in warrants and convertible debt instruments held that are not listed on an exchange are classified as Level 2.

Level 3 | Prices or valuation techniques that require inputs that are both significant to fair value measurement and unobservable (supported by little or no market activity).

The following table sets forth the Company's financial assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy as at December 31, 2015. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

In $000s	Total	Quoted prices in active markets for identical assets (Level1)	Significant other observable inputs (Level 2)	Unobservable inputs (Level 3)
Long-term investments – common shares held	$ 14,990	$ 14,990	$ -	$ -
Long-term investments – convertible debt	11,590	-	11,590	-
	$ 26,580	**$ 14,990**	**$ 11,590**	**$ -**

The fair value of the Company's other financial instruments which include cash and cash equivalents, trade receivables and other, loans receivable, receivables and other, trade and other payables and bank debt approximate their carrying values at December 31, 2015.

C. Credit Risk

The Company’s credit risk is limited to cash and cash equivalents, trade receivables and other, loans receivable, and receivables and other in the ordinary course of business. The Company sells gold exclusively to third parties with a history in commodities. The Company’s trade receivables and other is subject to the credit risk of the counterparties who own and operate the mines underlying Sandstorm’s royalty portfolio. The Company’s loan receivable and convertible debenture due from Luna are subject to Luna’s credit risk and the Company’s ability to realize on its security.

D. Currency Risk

Financial instruments that impact the Company's net (loss) income or other comprehensive (loss) income due to currency fluctuations include: cash and cash equivalents, trade receivables and other, investments and trade and other payables denominated in Canadian dollars. Based on the Company's Canadian dollar denominated monetary assets and monetary liabilities at December 31, 2015, a 10% increase (decrease) of the value of the Canadian dollar relative to the United States dollar would (decrease) increase net loss by $0.4 million and other comprehensive loss by $1.5 million, respectively.

E. Interest Rate Risk

The Company is exposed to interest rate risk on its outstanding borrowings. Presently, all of the Company's outstanding borrowings are at floating rates. The Company monitors its exposure to interest rates and has not entered into any derivative contracts to manage risk. During the year ended December 31, 2015, the weighted average effective interest rate paid by the Company on the amount drawn on its outstanding borrowings was 3.4% (2014- revolving loan facility was undrawn). A fluctuation in interest rates of 100 basis points (1 percent) would have affected finance expense by approximately $0.2 million.

F. Liquidity Risk

In managing liquidity risk, the Company takes into account its loan facility, anticipated cash flows from operations and its holding of cash and cash equivalents. As at December 31, 2015, the Company had cash and cash equivalents of $5.3 million (2014: $90.2 million) and working capital of $1.8 million (2014: $89.3 million). The Company has a revolving loan facility which matures in July 2019 (note 9). Additionally, Sandstorm holds common shares, convertible debentures, and warrants of other companies with a combined market value as at December 31, 2015, of $26.6 million (December 31, 2014 – $24.0 million). The daily exchange traded volume of these shares, including the shares underlying the warrants, may not be sufficient for the Company to liquidate its position in a short period of time without potentially affecting the market value of the shares.

6. BUSINESS COMBINATION

A. Acquisition of Gold Royalties Corporation

On April 28, 2015, the Company closed its previously announced plan of arrangement pursuant to which Sandstorm Gold acquired all of the issued and outstanding shares (the "Gold Royalties Shares") of Gold Royalties Corporation ("Gold Royalties"). The transaction was implemented by way of a statutory plan of arrangement (the "Arrangement"). Upon completion of the Arrangement, Sandstorm Gold issued to each holder of a Gold Royalties Share 0.045 of a common share of Sandstorm Gold.

As a result of acquiring Gold Royalties, Sandstorm has added a number of Canadian royalty assets to its portfolio along with over $1.0 million in cash.

In accordance with IFRS 3 – Business Combinations, the total consideration of $4.8 million, consisting of (i) $4.3 million representing the value of the Sandstorm Gold common shares issued (based on the April 28, 2015 closing price) and (ii) $0.5 million of Gold Royalties Shares previously owned by Sandstorm Gold, was allocated to the identifiable assets acquired and liabilities assumed as follows:

Consideration:		**In 000s**
Sandstorm Shares issued (1,161,720 common shares)	$	4,281
Gold Royalties Shares owned by Sandstorm Gold		472
	$	**4,753**

Allocation of acquisition costs:		
Cash and cash equivalents	$	1,288
Trade receivables and other		107
Mineral interests and royalties		1,852
Deferred income tax assets		1,592
Trade and other payables		(86)
	$	**4,753**

Sandstorm Gold has estimated the fair value of the assets acquired to be equal to their carrying value except for the mineral interests and royalties which were estimated to have a fair value of $1.9 million and deferred tax assets of $1.6 million, respectively. An income approach (being the net present value of expected future cash flows) was used to determine the fair values of the mineral interests and royalties. Estimates of future cash flows are based on estimated future revenues and expected conversions of resources to reserves at each of the mineral properties.

Had the acquisition of Gold Royalties been effected on January 1, 2015, the consolidated revenue and net loss for the year ended December 31, 2015 would have been $52.7 million and $43.0 million, respectively (these amounts are unaudited). The Company considers these “pro-forma” numbers to represent an approximate measure of the performance of the combined group up to the period end date and to provide a reference point for comparison to future periods.

B. Acquisition of Sandstorm Metals & Energy Ltd.

On May 29, 2014, the Company closed its previously announced plan of arrangement (“Arrangement Agreement”) pursuant to which it acquired 100% of the outstanding common shares of Sandstorm Metals & Energy Ltd. (“Sandstorm Metals & Energy”).

As contemplated in the Arrangement Agreement, the shareholders of Sandstorm Metals & Energy, other than Sandstorm Gold, received common shares of Sandstorm Gold (the "Sandstorm Gold Shares") on the basis of 0.178 of a Sandstorm Gold Share plus C$0.35 of cash for each Sandstorm Metals & Energy common share held.

In accordance with IFRS 3 – Business Combinations, the total consideration of $43.8 million, consisting of: (i) $10.3 million cash; (ii) $30.1 million representing the value of the Sandstorm Gold common shares issued (based on the May 29, 2014 closing price); and (iii) $3.4 million of Sandstorm Metals & Energy common shares previously owned by the Company and other consideration was allocated to the identifiable assets acquired and liabilities assumed as follows:

Acquisition price:		
Sandstorm Gold common shares issued	$	30,078
Sandstorm Metals & Energy common shares owned by Sandstorm Gold		3,310
Cash paid		10,310
Conversion of previously issued Sandstorm Metals & Energy RSUs		129
	$	**43,827**

Allocation of acquisition costs:		
Cash and cash equivalents	$	4,068
Trade receivables and other		909
Mineral interests and royalties		29,817
Investments		5,259
Deferred income tax assets		9,616
Other		108
Trade and other payables		(1,185)
Promissory note		(2,200)
Gain on bargain purchase		(2,565)
	$	**43,827**

Sandstorm Gold has estimated the fair value of the assets acquired to be equal to their carrying value except for certain trade receivables and other balances and the mineral interest and royalties which were estimated to have a fair value of $0.9 million and $29.8 million respectively. An income approach (being the net present value of expected future cash flows) was used to determine the fair values of the royalty interests in mineral properties. Estimates of future cash flows are based on estimated future revenues and expected conversions of resources to reserves at each of the mineral properties. The excess of the total fair value of the identifiable assets acquired and the liabilities assumed over the total consideration has been recorded as a gain on bargain purchase of $2.6 million.

Included in total revenue and net income for the year ended December 31, 2014 is $2.5 million and $1.9 million, respectively, attributable to the results of Sandstorm Metals & Energy from the date of acquisition. Had the acquisition of Sandstorm Metals & Energy been effected on January 1, 2014, the consolidated revenue and net income for the year ended December 31, 2014 would have been $58.0 million and $7.9 million, respectively. The Company considers these "pro-forma" numbers to represent an approximate measure of the performance of the combined group on an annualized basis and to provide a reference point for comparison to future periods.

The acquisition allows management to focus all of its future time and attention on acquiring Gold Streams and royalties. The acquisition of Sandstorm Metals & Energy also provides Sandstorm Gold shareholders with annual royalty revenue from operating mines as well as royalties on advanced exploration and development assets including Canadian Zinc's Prairie Creek Project and Entrée's Hugo North Extension and Heruga deposits. The acquisition resulted in a gain on bargain purchase as the Company has recognized the benefit of Sandstorm Metals & Energy's non-capital loss carry forwards available for tax purposes.

7. MINERAL INTERESTS AND ROYALTIES

A. Carrying Amount

As of and for the year ended December 31, 2015:

	Cost				Accumulated Depletion					
In $000s	**Opening**	**Additions (disposals)**	**Foreign exchange translation**	**Ending**	**Opening**	**Depletion**	**Impairment**	**Disposals**	**Ending**	**Carrying Amount**
Aurizona, BrazilB	27,358	(16,358)	-	11,000	5,756	1,072	-	(6,518)	310	10,690
Bachelor Lake, Canada	22,671	-	-	22,671	10,458	4,220	-	-	14,678	7,993
Black Fox, Canada	37,758	-	-	37,758	17,836	4,281	-	-	22,117	15,641
Chapada, Brazil	-	69,520		69,520	-	-	-	-	-	69,520
Diavik Mine, Canada	-	53,111	-	53,111	-	6,273	-	-	6,273	46,838
Hugo North Extension and Heruga, Mongolia	42,493	-	-	42,493	-	-	-	-	-	42,493
Karma Gold Project, Burkina Faso	14,456	6,718	-	21,174	-	-	-	-	-	21,174
Ming, Canada	20,068	-	-	20,068	5,628	1,994	-	-	7,622	12,446
Santa Elena, Mexico	23,342	-	-	23,342	11,087	6,115	-	-	17,202	6,140
Yamana Silver Stream, Argentina	-	74,229		74,229	-	-	-	-	-	74,229
Royalties [1]	189,970	19,348	(2,594)	206,724	76,907	11,164	18,322	-	106,393	100,331
Other [2]	12,393	(1,054)	-	11,339	955	193	3,323	-	4,471	6,868
Total [3]	**390,509**	**205,514**	**(2,594)**	**593,429**	**128,627**	**35,312**	**21,645**	**(6,518)**	**179,066**	**414,363**

1) *Includes Bracemac-McLeod, Coringa, Mt. Hamilton, Paul Isnard, Prairie Creek, Ann Mason, Serra Pelada, Gualcamayo, Emigrant Springs, Mine Waste Solutions, San Andres, Sao Francisco, Thunder Creek, Bomboré, the Gold Royalties royalty portfolio and the Early Gold Deposit.*

2) *Includes Summit and other.*

3) *Total mineral interest and royalties includes $111.3 million of assets located in Canada, $88.1 million in Brazil, $98.1 million in Argentina, $42.5 million in Mongolia, $21.8 million in the United States, $24.3 million in Burkina Faso, $6.1 million in Mexico, $6.9 million in South Africa, $5.1 million in French Guiana, $3.1 million in Honduras, $1.0 million in Ghana, and $6.1 million in other South American countries.*

As of and for the year ended December 31, 2014:

	Cost				Accumulated Depletion					
In $000s	Opening	Additions	Foreign exchange translation	Ending	Opening	Depletion	Impairment	Inventory Depletion Adjustment	Ending	Carrying Amount
Aurizona, Brazil	25,820	1,538	-	27,358	4,293	1,463	-	-	5,756	21,602
Bachelor Lake, Canada	22,671	-	-	22,671	4,917	5,541	-	-	10,458	12,213
Black Fox, Canada	37,758	-	-	37,758	13,916	3,920	-	-	17,836	19,922
Hugo North Extension and Heruga, Mongolia	37,580	4,913	-	42,493	-	-	-	-	-	42,493
Karma Gold Project, Burkina Faso	-	14,456	-	14,456	-	-	-	-	-	14,456
Ming, Canada	20,068	-	-	20,068	4,017	1,611	-	-	5,628	14,440
Santa Elena, Mexico	13,342	10,000	-	23,342	7,731	3,356	-	-	11,087	12,255
Royalties [1]	169,855	23,505	(3,390)	189,970	63,885	11,807	1,215	-	76,907	113,063
Other [2]	10,345	2,048	-	12,393	740	215	-	-	955	11,438
Total [3]	**337,439**	**56,460**	**(3,390)**	**390,509**	**99,499**	**27,913**	**1,215**	**-**	**128,627**	**261,882**

1) *Includes Bracemac-McLeod, Coringa, Mt. Hamilton, Paul Isnard, Prairie Creek, Ann Mason, Serra Pelada, Gualcamayo, Emigrant Springs, Mine Waste Solutions, San Andres, San Francisco, Sao Vicente, Thunder Creek, and Bomboré.*

2) *Includes Deflector, Summit and other.*

3) *Total mineral interest and royalties includes $77.4 million of assets located in Canada, $42.5 million in Mongolia, $39.6 million in Brazil, $33.3 million in the United States, $14.5 million in Burkina Faso, $12.3 million in Mexico, $10.4 million in South Africa, $6.3 million in Australia, $5.1 million in French Guiana, $4.3 million in Honduras, $0.4 million in Ghana, and $15.8 million in other South American countries.*

B. Acquisitions and Updates

ACQUISITION | Yamana Streams

Silver Stream

On October 27, 2015, the Company acquired a Silver Stream on Yamana Gold Inc.'s ("Yamana") gold-silver Cerro Moro project, located in Santa Cruz, Argentina (the "Cerro Morro Project" or "Cerro Moro") and interim silver deliveries during years 2016 to 2018 from a number of Yamana's currently operating mines.

In acquiring the Yamana Silver Stream, the Chapada copper stream (refer to Chapada copper stream section) and a potential gold stream on the Agua Rica project, the Company agreed to upfront consideration consisting of a cash payment of $152 million, of which $4 million is payable in April 2016, and 15 million Sandstorm warrants. The warrants have a 5 year term, a strike price of $3.50 per Sandstorm common share and are exercisable upon achievement of specific milestones with respect to the construction of the Cerro Moro mine.

Under the terms of the Yamana Silver Stream, Sandstorm has agreed to purchase, for on-going per ounce cash payments equal to 30% of the spot price of silver, an amount of silver from Cerro Moro equal to 20% of the silver produced (up to an annual maximum of 1.2 million ounces of silver), until Yamana has delivered to Sandstorm 7.0 million ounces of silver; then 9.0% of the silver produced thereafter.

As part of the Yamana Silver Stream, during the year 2016 through 2018, Sandstorm has also agreed to purchase, for on-going per ounce cash payment equal to 30% of the spot price of silver, an amount of silver from:

(i) the Minera Florida mine in Chile equal to 38% of the silver produced (up to an annual maximum of 200,000 ounces of silver); and
(ii) the Chapada mine in Brazil equal to 52% of the silver produced (up to an annual maximum of 100,000 ounces of silver).

If by January 1, 2019, the Cerro Moro processing facility has not averaged 80% of its daily nameplate production capacity over a 30-day period (the "Commencement of Production"), then Yamana´s producing El Peñon mine in Chile will provide a 24 month backstop until the Commencement of Production has begun. During the 24 month backstop, if applicable, Sandstorm will purchase, for on-going per ounce cash payments equal to 30% of the spot price of silver, an amount of silver equal to 16% of El Peñon´s silver production up to a maximum of 1.2 million ounces per annum.

Copper Stream

On October 27, 2015, the Company acquired a copper stream on Yamana's open pit gold-copper Chapada mine located 270 kilometres northwest of Brasília in Goiás state, Brazil ("Chapada" or the "Chapada Mine"). Under the terms of the Yamana copper stream, Sandstorm has agreed to purchase, for on-going per pound cash payments equal to 30% of the spot price of copper, an amount of copper from the Chapada Mine equal to:

i) 4.2% of the copper produced (up to an annual maximum of 3.9 million pounds of copper) until Yamana has delivered 39 million pounds of copper to Sandstorm (the "First Chapada Delivery Threshold"); then

ii) 3.0% of the copper produced until, on a cumulative basis, Yamana has delivered 50 million pounds of copper to Sandstorm (the "Second Chapada Delivery Threshold"); then

iii) 1.5% of the copper produced thereafter, for the life of the mine.

If Cerro Moro has not achieved the Commencement of Production and Sandstorm has not received cumulative pre-tax cash flow equal to $70 million from the Yamana Silver Stream, then the First Chapada Delivery Threshold and the Second Chapada Delivery Threshold will cease to be in effect and Sandstorm will continue to purchase 4.2% of Chapada's payable copper production (up to an annual maximum of 3.9 million pounds of copper), until the earlier of Sandstorm having received cumulative pre-tax cash flow equal to $70 million, or Cerro Moro having achieved the Commencement of Production.

In assessing the fair value of the Yamana Silver, Copper and Early Gold Deposit, the Company utilized a discounted cash flow analysis using discount rates from 3.5% to 5.0% and analyst price projections. The excess of the fair value of the Yamana Silver, Copper and Early Gold Deposit of $155.1 million and the total cash consideration of $152.0 million of $3.1 million was ascribed to the 15 million warrants issued to Yamana as consideration for the transaction.

ACQUISITION | Diavik Royalty

In March 2015, the Company acquired a 1% gross proceeds royalty based on the production from the Diavik mine located in Lac de Gras, Northwest Territories, Canada ("Diavik" or the "Diavik Mine") which is operated by Rio Tinto PLC ("Rio Tinto").

For consideration, the Company paid $52.5 million in cash and 3 million warrants of Sandstorm to IAMGOLD Corporation (the owner of the 1% royalty). The warrants have a strike price of $4.50 per Sandstorm common share, an expiration date of March 23, 2020 and will only be exercisable following initial production from the Diavik Mine's A21 pipe.

In assessing the fair value of the Diavik royalty, the Company utilized a discounted cash flow analysis using a 7% discount rate and analyst price projections. The excess of the fair value of the Diavik royalty of $53.1 million and the total cash consideration of $52.5 million being $0.6 million was ascribed to the 3 million warrants issued to IAMGOLD Corporation as consideration for the transaction.

ACQUISITION | Bomboré Royalty

On January 27, 2015, the Company acquired a 0.45% NSR on the Bomboré gold project ("Bomboré" or "Bomboré Project") located in Burkina Faso, West Africa and owned by Orezone Gold Corp. ("Orezone") for consideration of $3.0 million ("Upfront Royalty"). In addition, Sandstorm has committed to providing up to an additional $5.0 million in royalty financing (remittable in cash and/or shares, subject to certain conditions) to Orezone on a drawdown basis until January 27, 2017 (the "Standby Royalty"). The Standby Royalty, if fully exercised, would result in the granting of an additional 0.75% NSR. Orezone has granted Sandstorm a right of first refusal on any future stream or royalty financings related to the Bomboré Project until 36 months following the achievement of commercial production at the mine. Orezone has the option to repurchase the Upfront Royalty from Sandstorm for a period of 36 months, at a premium of 10% per year. The Standby Royalty can also be repurchased at a premium of 10% per year if Orezone completes a gold stream financing and Sandstorm participates for no less than $30 million.

UPDATE | Aurizona Mine

The Company has a 3% – 5% sliding scale NSR on the production from Luna Gold Corp.'s ("Luna") open-pit Aurizona mine, located in Brazil (the "Aurizona Mine"). At gold prices less than or equal to $1,500 per ounce, the royalty is a 3% NSR. In addition, Sandstorm holds a 2% NSR on Luna's 190,073 hectares of greenfields exploration ground. At any time prior to the commencement of commercial production, Luna has the ability to purchase one-half of the greenfields NSR for a cash payment of $10 million.

On June 30, 2015, the Company restructured its previously existing Gold Stream and loan agreement with Luna (the "Restructuring"). Under the terms of the Restructuring, the Gold Stream was terminated and replaced by two net smelter return royalties ("NSR") and a convertible debenture.

The convertible debenture is a $30 million instrument bearing interest at a rate of 5% per annum (the "Debenture"). The Debenture is payable in three equal annual tranches of $10 million plus accrued interest beginning June 30, 2018. Luna will have the right to convert principal and interest owing under the Debenture into common shares of Luna, so long as Sandstorm does not own more than 20% of the outstanding common shares of Luna. The quantum of shares upon conversion will be dependent on a 20 day volume weighted average price ("VWAP") and if the VWAP is less than C$0.10 per share, the shares will be deemed to have been issued at C$0.10 per share. The Debenture is included in investments (note 8).

Under the loan amendment, the maturity date of the existing $20 million Luna loan was extended from June 30, 2017 to June 30, 2021 and the interest rate was revised to 5% per annum, payable in cash on the maturity date. In the event that Luna is in default, the applicable rate of interest will increase to 10% per annum. The fair value of the loan was determined by utilizing a cash flow model incorporating the contractual cash flows and a 7% discount rate.

Under the terms of the Restructuring, Sandstorm continued to purchase 17% of the gold that resulted from the processing of the remaining stockpile from the Aurizona Mine for a per ounce cash payment equal to the lesser of $408 and the then prevailing market price of gold.

The fair value of the two NSRs was determined using a discounted cash flow model to estimate the fair value less costs to sell. Key assumptions incorporated into the cash flow model included the estimated long-term price of gold of $1,150, annual production volumes at the Aurizona Mine of up to 80,000 ounces of gold for an estimated 7 to 10 year mine life and a 7% discount rate. The fair value of the Debenture was determined using a discounted cash flow model incorporating the contractual cash flows of the Debenture, a 9% discount rate and an option pricing model to value the prepayment and convertibility feature embedded in the Debenture. Key assumptions in the option pricing model included an exercise price of $0.10 per share, a volatility rate of 45%, a term of 5 years and an interest free rate of 1.3%. The resulting fair value of the Debenture and two NSRs was $13 million and $11 million, respectively.

The Company recognized a gain of $4.3 million arising from the difference between the fair value of the Debenture and the two NSRs and the carrying value of the Aurizona mineral interest.

UPDATE | Deflector Mine

As contemplated in the Deflector gold purchase agreement, the Company provided notice to Doray Minerals Ltd. that it was requesting back the $6.0 million Sandstorm had advanced under the purchase agreement. As part of a settlement agreement, the Company received $7.0 million in June 2015. The difference between the $7.0 million received and the carrying value of the Deflector mineral interest of $6.3 million was recognized in other income. As a result of the settlement, both parties' obligations were extinguished under the gold purchase agreement.

C. Impairments

As a result of a decline in the Company's market capitalization during the year ended December 31, 2015, the Company performed an impairment analysis of the Company's mineral interests. As part of this and other assessments, the Company recognized the following impairments:

Serra Pelada

As a result of the lack of progress at the Serra Pelada project, the Company recorded an impairment charge of $13.1 million in its interest in the mineral interest and convertible debenture resulting in a $nil balance as at December 31, 2015. The recoverable amount of the asset was determined for impairment purposes using management's best estimate in value of the underlying assets and Sandstorm's ability to realize on those assets during an insolvency proceeding.

Emigrant Springs

As a result of the impairment assessment, the Company recognized an impairment charge of $5.8 million with respect to its mineral interest in the Emigrant Springs mine. The recoverable amount of $5.3 million was determined using a discounted cash flow calculation to estimate the fair value less costs to sell. Key assumptions used in the cash flow forecast to determine the fair value included a long term gold price of $1,200 and an estimated 4 year mine life and a 5% discount rate.

Mine Waste Solutions

As a result of the impairment assessment, the Company recognized an impairment charge of $2.4 million with respect to its mineral interest in the Mine Waste Solutions project. The recoverable amount of $6.9 million was determined using a discounted cash flow calculation to estimate the fair value less costs to sell. Key assumptions used in the cash flow forecast to determine the fair value included a long term gold price of $1,200 and an estimated 8 year mine life and a 5% discount rate.

Summit

The lack of progress with respect to Santa Fe Gold Corp. raising additional capital to satisfy the terms and conditions of the negotiated restructuring of its senior secured indebtedness prompted the Company to evaluate its investment in the Summit mine Gold Stream. The recoverable amount of the asset, for impairment assessment purposes, was determined using a liquidation scenario to estimate the fair value less costs to sell. Key assumptions used in the analysis to determine fair value included management's best estimates of the value of the underlying assets and Sandstorm's ability to realize on these assets during an insolvency proceeding. As a result of its review, the Company, during the year ended December 31, 2015, recorded an impairment charge of $3.3 million for the full balance of the mineral interest.

8. INVESTMENTS

As of and for the year ended December 31, 2015:

In $000s	Fair Value January 1, 2015	Net Additions (Disposals) December 31, 2015	Fair Value Adjustment December 31, 2015	Fair Value December 31, 2015
Common shares	$ 14,254	$ 8,243	$ (7,507)	$ 14,990
Convertible debt instruments	9,735	14,318	(12,463)	11,590
Total	**$ 23,989**	**$ 22,561**	**$ (19,970)**	**$ 26,580**

During the year ended December 31, 2015, the Company acquired common shares of AuRico Metals Inc. for total consideration of $8.6 million and recognized a loss in other comprehensive income of $0.3 million on these shares during the year ended December 31, 2015.

The lack of progress with respect to advancing the Serra Pelada project (note 7 (c)) resulted in the Company recognizing a loss on revaluation of its investments on its convertible debentures in the amount of $3.0 million.

As of and for the year ended December 31, 2014:

In $000s	Fair Value January 1, 2014	Net Additions (Disposals) December 31, 2014	Fair Value Adjustment December 31, 2014	Fair Value December 31, 2014
Common shares	$ 8,804	$ 25,359	$ (19,909)	$ 14,254
Convertible debt instruments	4,185	6,501	(951)	9,735
Total	**$ 12,989**	**$ 31,860**	**$ (20,860)**	**$ 23,989**

9. REVOLVING LOAN AND DEFERRED FINANCING COSTS

On October 26, 2015, the Company amended its revolving credit agreement, allowing the Company to borrow up to $110 million ("Revolving Loan") for acquisition purposes from a syndicate of banks including the Bank of Nova Scotia, Bank of Montreal, National Bank of Canada and Canadian Imperial Bank of Commerce. The amounts drawn on the Revolving Loan remain subject to interest at LIBOR plus 3.00% – 4.25% per annum, and the undrawn portion of the Revolving Loan remains subject to a standby fee of 0.75% – 1.05% per annum, dependent on the Company's leverage ratio. The Revolving Loan matures in July 2019.

Under the credit agreement, the Company is required to maintain an interest coverage ratio greater than or equal to 4.00:1, a leverage ratio (defined as net debt divided by EBITDA) less than or equal to 4.00:1, 3.50:1, and 2.75 for calendar 2016, calendar 2017 and the remainder of the life of the Revolving Loan, respectively. The Company is further required to maintain a tangible net worth greater than the aggregate of $109.7 million and 50% of positive net income for each fiscal quarter after September 30, 2012. The Revolving Loan is secured against the Company's assets, including the Company's mineral interests and royalties and investments.

As of December 31, 2015, the Company was in compliance with the covenants and had drawn $83.5 million under the facility.

Deferred financing costs are capitalized and amortized on a straight-line basis over the term of the debt instrument as presented below:

As of December 31, 2015:

In $000s	Cost	Additions	Accumulated Amortization	Carrying Amount
Debt issuance costs	$ 3,377	$ 556	$ (1,713)	$ 2,220

As of December 31, 2014:

In $000s		Cost		Additions	Accumulated Amortization		Carrying Amount
Debt issuance costs	$	2,392	$	985	$ (1,239)	$	2,138

10. SHARE CAPITAL AND RESERVES

A. Shares Issued

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

During the year ended December 31, 2015, the Company completed a public offering of 10,087,800 units at a price of $2.85 per unit, for gross proceeds of $28,750,230. Each unit was comprised of one common share of the Company and one-half of one common share purchase warrant. Each warrant is exercisable into a common share at an exercise price of $4.00 per share until November 3, 2020. In connection with the offering, the Company paid agent fees of $1.4 million, representing 5% of the gross proceeds. The amount attributable to common shares was $27.1 million, with the remainder allocated to warrants.

On December 15, 2014, the Company announced that it intended to proceed with a normal course issuer bid (“NCIB”). Under the NCIB, the Company was able, until December 16, 2015, to purchase up to 5,882,879 common shares, representing 5% of the Company’s issued and outstanding common shares of 117,657,587 as of December 11, 2014. The NCIB provided the Company with the option to purchase its common shares from time to time when the Company’s management believed that the Common Shares were undervalued by the market. Subsequent to December 31, 2015, the Company reinitiated its NCIB, allowing it to purchase up to 6,896,539 common shares until April 2017.

During the year ended December 31, 2015 and pursuant to the NCIB, the Company purchased and cancelled an aggregate of 518,123 common shares.

B. Stock Options of the Company

The Company has an incentive stock option plan (the “Option Plan”) whereby the Company may grant share 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 permits the issuance of options which, together with the Company's other share compensation arrangements, may not exceed 10% of the Company’s issued common shares as at the date of the grant.

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

	Number of Options	Weighted Average Exercise Price (C$)
Options outstanding at December 31, 2013	**3,987,133**	**5.70**
Granted	3,762,474	2.95
Exercised	(862,000)	2.25
Forfeited	(35,000)	(6.31)
Options outstanding at December 31, 2014	**6,852,607**	**4.69**
Granted	1,284,000	3.61
Addition of outstanding Gold Royalties' Options (note 6 (a))	47,475	15.71
Exercised	(155,000)	(3.39)
Forfeited	(1,173,500)	(3.40)
Options outstanding at December 31, 2015	**6,855,582**	**5.45**

The weighted-average share price at the date of exercise for the year ended December 31, 2015 was C$3.78 (C$7.06 – year ended December 31, 2014). The weighted average remaining contractual life of the options for the year ended December 31, 2015 was 3.38 years (3.43 years – year ended December 31, 2014).

During the year ended December 31, 2015, the Company issued 1,284,000 options with a weighted average exercise price of C$3.61 and a fair value of $2.4 million or $0.85 per option. The fair value of the options granted was determined using a Black-Scholes model using the following weighted average assumptions: grant date share price and exercise price of C$3.60, expected volatility of 48%, risk-free interest rate of 0.48% and expected life of 3 years. Expected volatility is determined by considering the trailing 3 year historic average share price volatility of the Company and similar companies in the same industry.

A summary of the Company's share purchase options as of December 31, 2015 is as follows:

Number outstanding	Exercisable	Exercise Price per Share (C$)	Expiry Date
66,000	66,000	$6.30	August 25, 2016
1,129,000	1,129,000	6.35	November 25, 2016
27,000	27,000	18.33	August 22, 2017
5,850	5,850	18.33	October 4, 2017
402,133	402,133	16.35	December 11, 2017
150,000	150,000	11.78	December 21, 2017
10,875	10,875	11.31	February 19, 2018
3,625	3,625	10.62	March 1, 2018
12,375	12,375	8.89	December 13, 2018
25,000	8,334	6.03	May 16, 2019
3,737,474	1,245,834	2.93	November 13, 2019
1,084,000	-	3.60	December 9, 2020
200,000	-	3.64	December 22, 2020
2,250	2,250	15.00	March 30, 2022
6,855,582	**3,063,276**	**$6.70**	

C. Share Purchase Warrants

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

	Number of Warrants	Shares to be Issued Upon Exercise of the Warrants
Warrants outstanding at December 31, 2013	**83,305,390**	**22,490,095**
Exercised	(55,205,100)	(11,041,020)
Expired unexercised	(2,331,018)	(1,223,522)
Warrants outstanding at December 31, 2014	**25,769,272**	**10,225,553**
Addition of Gold Royalties' Warrants (note 6 (a))	368,038	368,038
Issued (note 7 (b) and 10(a))	23,043,900	23,043,900
Expired unexercised	(19,874,037)	(4,330,318)
Warrants outstanding at December 31, 2015	**29,307,173**	**29,307,173**

A summary of the Company's warrants as of December 31, 2015 are as follows:

Number outstanding	Exercise Price per Share	Expiry Date
72,500	C$17.24	Feb. 28, 2016
32,400	C$11.11	May 1, 2016
1,155,873	C$13.79	Dec. 4, 2016
5,002,500	$14.00	Sep. 7, 2017
3,000,000	$4.50	Mar. 23, 2020
15,000,000	$3.50	Oct. 26, 2020
5,043,900	$4.00	Nov. 3, 2020
29,307,173		

D. Restricted Share Rights

The Company has 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 permits the issuance of up to a maximum of 2,800,000 RSRs.

During the year ended December 31, 2015, the Company granted 895,480 RSRs with a fair value of $2.4 million, a three year vesting term, and a weighted average grant date fair value of C$3.63 per unit. As at December 31, 2015, the Company had 1,396,676 RSRs outstanding.

E. Diluted Earnings Per Share

Diluted earnings per share is calculated based on the following:

In $000s		Year Ended December 31, 2015		Year Ended December 31, 2014
Net (loss) income	$	(43,056)	$	11,515
Basic weighted average number of shares		119,622,450		112,852,945
Effect of dilutive securities				
· Stock options		-		2,878,297
· Warrants		-		5,553,482
· Restricted share rights		-		113,774
Diluted weighted average number of common shares		**119,622,450**		**121,398,498**

The Company has a net loss for the year ended December 31, 2015; however, the following lists the stock options and share purchase warrants that would have been included in the computation of diluted weighted average number of common shares if the Company had net earnings as they would have been dilutive. For the comparative year ending December 31, 2014, the following table lists the number of stock options, warrants and RSRs excluded from the computation of diluted earnings per share because the exercise prices exceeded the average market value of the common shares of C$5.61.

	Year Ended December 31, 2015	Year Ended December 31, 2014
Stock Options	-	1,796,633
Warrants	-	7,286,270
RSRs	64,973	434,853

11. INCOME TAXES

The income tax expense (recovery) differs from the amount that would result from applying the federal and provincial income tax rate to the net income before income taxes.

These differences result from the following items:

In $000s		Year Ended December 31, 2015		Year Ended December 31, 2014
(Loss) income before income taxes	$	(33,944)	$	9,266
Canadian federal and provincial income tax rates		26.0%		26.0%
Income tax (recovery) expense based on the above rates	**$**	**(8,825)**	**$**	**2,409**
Increase (decrease) due to:				
· Non-deductible expenses		621		548
· Permanent difference for gain on bargain purchase		-		(667)
· Change in deductible temporary differences		6,073		-
· Change in unrecognized temporary differences		3,632		-
· Change in deferred taxes related to attributing taxable income from Barbadian subsidiary		8,060		-
· Difference between statutory and foreign tax rates		(2,172)		(1,822)
· Recognition of previously unrecognized and unused tax losses now recognized as deferred income tax assets		-		(1,516)
· Other		1,723		(1,201)
Income tax expense (recovery)	**$**	**9,112**	**$**	**(2,249)**

As a result of an ongoing assessment of the Company's assets held in foreign subsidiaries, during the year ended December 31, 2015, the Company recognized a reduction of its deferred income tax assets relating to taxable income previously attributed to its Barbadian subsidiary. A corresponding non-cash income tax expense of $8.1 million was accordingly recognized. The assessment is complex in nature, and the reduction and corresponding expense represent management estimates. The Company's international transactions have not been reviewed by the Canada Revenue Agency, and should such transactions be reviewed no assurances can be given that the tax authority will concur with management's estimates.

The deferred tax assets and liabilities are shown below:

In $000s	As at December 31, 2015	As at December 31, 2014
Deferred Income Tax Assets		
» Non-capital losses	31,701	37,705
» Share issue costs	1,253	1,323
» Mineral interests and royalties	(13,304)	(11,428)
Total deferred income tax assets	**19,650**	**27,600**
Deferred Income Tax Liabilities		
» Mineral interest and royalties	3,279	5,892
Total deferred income tax liabilities	**3,279**	**5,892**
Total deferred income tax asset, net	**$ 16,371**	**$ 21,708**

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset. Non-capital losses have been recognized as a deferred income tax asset to the extent there will be future taxable income against which the Company can utilize the benefit prior to their expiration. The Company recognized deferred tax assets in respect of tax losses as at December 31, 2015 of $122.4 million (2014: $144.1 million) as it is probable that there will be future taxable profits to recover the deferred tax assets.

Movement in net deferred income taxes:

In $000s		Year Ended December 31, 2014		Year Ended December 31, 2013
Balance, beginning of the year	$	21,708	$	8,280
Recognized in net (loss) income for the year		(8,240)		3,311
Recognized in equity		1,010		-
Recognition and movement of purchase price allocation (note 6)		1,592		9,616
Currency translation differences		301		501
Balance, end of year		**16,371**		**21,708**

The Company has deductible unused tax losses expiring as follows:

In $000s	Location		Amount	Expiration
Non-capital loss carry-forwards	Canada	$	122,436	2028-2036

The aggregate amount of deductible temporary differences associated with capital losses and other items, for which deferred income tax assets have not been recognized as at December 31, 2015 are $48.7 million (2014: $39.5 million). No deferred tax asset is recognized in respect of these items because it is not probable that future taxable capital gains or taxable income will be available against which the Company can utilize the benefit.

12. ADMINISTRATION EXPENSES

The administration expenses for the Company are as follows:

In $000s		Year Ended December 31, 2015		Year Ended December 31, 2014
Corporate administration	$	1,471	$	1,327
Employee benefits and salaries		1,695		1,179
Professional fees		798		715
Depreciation		212		189
Administration expenses before share based compensation	**$**	**4,176**	**$**	**3,410**
Equity settled share based compensation (a non-cash expense)		1,514		1,125
Total administration expenses	**$**	**5,690**	**$**	**4,535**

13. SUPPLEMENTAL CASH FLOW INFORMATION

In $000s		Year Ended December 31, 2015		Year Ended December 31, 2014
Change in non-cash working capital:				
· Trade receivables and other	$	(540)	$	(65)
· Trade and other payables		814		(97)
Net increase (decrease) in cash	**$**	**274**	**$**	**(162)**
Significant non-cash transactions:				
· Restructuring of mineral interest and loan receivable	$	24,000		-
· Exchange of mineral interest and corresponding reduction of promissory note		-		1,550
· Issuance of common shares for Gold Royalties acquisition and other (note 4)		5,435		-
· Issuance of warrants for mineral interest acquisitions (note 7 (b))	$	3,674	$	-

14. KEY MANAGEMENT COMPENSATION

The remuneration of directors and those persons having authority and responsibility for planning, directing and controlling activities of the Company are as follows:

In $000s		Year Ended December 31, 2015		Year Ended December 31, 2014
Short-term employee salaries and benefits	$	2,345	$	1,921
Share-based payments		1,837		1,736
Total key management compensation expense	**$**	**4,182**	**$**	**3,657**

15. CONTRACTUAL OBLIGATIONS

A. Gold Streams

In connection with its Gold Streams, the Company has committed to purchase the following:

Gold Stream	% of Life of Mine Gold [5,6,7,8,9]	Per Ounce Cash Payment: lesser of amount below and the then prevailing market price of gold [1, 2, 3, 4]
Bachelor Lake	20%	$500
Black Fox	8%	$518
Chapada	4.2%	30% of copper spot price
Entrée Gold	6.76% on Hugo North Extension and 5.14% on Heruga	$220
Karma	25,000 ounces over 5 years and 1.625% thereafter	20% of gold spot price
Ming	25% of the first 175,000 ounces of gold produced, and 12% thereafter	$nil
Santa Elena	20%	$357
Yamana Silver Stream	Varies	30% of silver spot price

1) *Subject to an annual inflationary adjustment except for Ming.*
2) *For the Entrée Gold Stream, after approximately 8.6 million ounces of gold have been produced from the joint venture property, the price increases to $500 per gold ounce.*
3) *For the Entrée Silver Stream, percentage of life of mine is 6.76% on Hugo North Extension and 5.14% on Heruga which the Company can purchase for the lesser of the prevailing market price and $5 per ounce of silver until 40.3 million ounces of silver have been produced from the entire joint venture property. Thereafter, the purchase price will increase to the lesser of the prevailing market price and $10 per ounce of silver.*
4) *For the Santa Elena Gold Stream, the Company can purchase for a per ounce cash payment equal to (i) the lesser of $357 and the then prevailing market price of gold for the open-pit mine and (ii) the lesser of $357 and the then prevailing market price of gold until 50,000 ounces of gold have been delivered to Sandstorm (inclusive of ounces already received from open-pit production), at which time the on-going per ounce payments will increase to the lesser of $450 and the then prevailing market price of gold for the underground mine.*
5) *For the Entrée Gold and Silver Stream, percentage of life of mine is 6.76% on Hugo North Extension and 5.14% on Heruga if the minerals produced are contained below 560 metres in depth.*
6) *For the Entrée Gold and Silver Stream, percentage of life of mine is 10.15% on Hugo North Extension and 7.7% on Heruga if the minerals produced are contained above 560 metres in depth.*
7) *For the Entrée copper stream, the Company has committed to purchase an amount equal to 0.5% of the copper produced from the Hugo North Extension and Heruga deposits. If the minerals produced are contained above 560 metres in depth, then the commitment increases to 0.75% for both the Hugo North Extension and Heruga deposits. Sandstorm will make ongoing per pound cash payments equal to the lesser of $0.50 and the then prevailing market price of copper, until 9.1 billion pounds of copper have been produced from the entire joint venture property. Thereafter, the on-going per pound payments will increase to the lesser of $1.10 and the then prevailing market price of copper.*
8) *For the Chapada copper stream, the Company has committed to purchase an amount equal to 4.2% of the copper produced (up to an annual maximum of 3.9 million pounds of copper) until Yamana has delivered 39 million pounds of copper to Sandstorm; then 3.0% of the copper produced until, on a cumulative basis, Yamana has delivered 50 million pounds of copper to Sandstorm; then 1.5% of the copper produced thereafter, for the life of the mine. If Cerro Moro has not achieved the Commencement of Production and Sandstorm has not received cumulative pre-tax cash flow equal to $70 million from the Yamana Silver Stream, then the First Chapada Delivery Threshold and the Second Chapada Delivery Threshold will cease to be in effect and Sandstorm will continue to purchase 4.2% of Chapada's payable copper production (up to an annual maximum of 3.9 million pounds of copper), until such time as Sandstorm has received cumulative pre-tax cash flow equal to $70 million, or Cerro Moro has achieved the Commencement of Production.*
9) *Under the terms of the Yamana Silver Stream, Sandstorm has agreed to purchase an amount of silver from Cerro Moro equal to 20% of the silver produced (up to an annual maximum of 1.2 million ounces of silver), until Yamana has delivered to Sandstorm 7.0 million ounces of silver; then 9.0% of the silver produced thereafter. As part of the Yamana Silver Stream, during the year 2016 through 2018, Sandstorm has also agreed to purchase an amount of silver from: (i) the Minera Florida mine in Chile equal to 38% of the silver produced (up to an annual maximum of 200,000 ounces of silver); and (ii) the Chapada mine in Brazil equal to 52% of the silver produced (up to an annual maximum of 100,000 ounces of silver).*

In connection with the Karma Gold Stream, the Company has agreed, subject to certain financing conditions, to provide remaining upfront payments totaling $3.9 million (which were remitted subsequent to the year ended December 31, 2015). In addition, the Stream Syndicate has provided True Gold with an 18 month option to increase funding by up to $20.0 million whereby Sandstorm's commitment would be up to $5 million of the increase. In 2016, the Company remitted $1.25 million of that commitment.

In connection with the Bomboré royalty, Sandstorm has committed to providing up to an additional $5.0 million in royalty financing (remittable in cash and/or shares, subject to certain conditions) to Orezone on a draw down basis until January 27, 2017.

As part of the Yamana transaction, the Company drew on its Revolving Loan. The Company will, from time to time, repay balances outstanding on its Revolving Loan with operating cash flow and cash flow from other sources. The amounts drawn on the Revolving Loan remain subject to interest at LIBOR plus 3.00% – 4.25% per annum, and the undrawn portion of the Revolving Loan remains subject to a standby fee of 0.75% – 1.05% per annum, dependent on the Company's leverage ratio. The Revolving Loan matures in July 2019.

16. SEGMENTED INFORMATION

The Company's reportable operating segments, which are components of the Company's business where separate financial information is available and which are evaluated on a regular basis by the Company's Chief Executive Officer, who is the Company's chief operating decision maker, for the purpose of assessing performance, are summarized in the tables below:

For the year ended December 31, 2015

In $000s	Sales	Royalty revenue	Cost of sales (excluding depletion)	Depletion	Impairment of mineral interests	Income (loss) before taxes	Cash from operations
Aurizona, Brazil	$ 10,773	$ -	$ 3,690	$ 1,072	$ -	$ 6,011	$ 7,083
Bachelor Lake, Canada	8,285	-	3,550	4,220	-	515	4,735
Black Fox, Canada	6,856	-	3,041	4,281	-	(466)	3,815
Diavik Mine, Canada		5,656	-	6,273	-	(617)	4,480
Ming, Canada	1,855	-	-	1,994	-	(139)	1,855
Santa Elena, Mexico	10,640	-	3,266	6,115	-	1,259	7,374
Royalties [1]	-	8,422	-	11,292	(18,322)	(21,192)	8,679
Other	176	-	19	65	(3,323)	(3,227)	161
Corporate	-	-	-	-	-	(16,088)	(7,363)
Consolidated	**$ 38,585**	**$ 14,078**	**$ 13,566**	**$ 35,312**	**$ (21,645)**	**$ (33,944)**	**$ 30,819**

1) *Includes royalty revenue from Bracemac-McLeod, Gualcamayo, Emigrant Springs, Mine Waste Solutions, San Andres, and Thunder Creek. Includes royalty revenue from royalty interests located in Canada of $3.5 million, in the United States of $1.9 million, and other of $3.0 million.*

For the year ended December 31, 2014

In $000s	Sales	Royalty revenue	Cost of sales (excluding depletion)	Depletion	Impairment of mineral interests	Income (loss) before taxes	Cash from operations
Aurizona, Brazil	$ 15,527	$ -	$ 4,986	$ 1,463	$ -	$ 9,078	$ 10,541
Bachelor Lake, Canada	11,899	-	4,662	5,541	-	1,696	7,237
Black Fox, Canada	6,889	-	2,790	3,920	-	179	4,099
Ming, Canada	2,459	-	-	1,611	-	848	2,459
Santa Elena, Mexico	6,916	-	1,945	3,359	-	1,612	4,971
Royalties [1]	-	12,804	-	12,019	(1,215)	(430)	13,674
Corporate	-	-	-	-	-	(3,717)	(7,757)
Consolidated	**$ 43,690**	**$ 12,804**	**$ 14,383**	**$ 27,913**	**$ (1,215)**	**$ 9,266**	**$ 35,224**

1) *Includes Bracemac-McLeod, Gualcamayo, Emigrant Springs, Mine Waste Solutions, San Andres, Sao Francisco, Sao Vicente, and Thunder Creek. Includes royalty revenue from royalty interests located in Canada of $1.8 million, in the United States of $0.6 million, and other of $1.6 million.*

Total assets as of:

In $000s		December 31, 2015[1]		December 31, 2014[1]
Aurizona	$	10,690	$	21,602
Bachelor Lake		7,993		12,213
Black Fox		15,641		19,922
Chapada		69,520		-
Diavik Mine		48,013		-
Entrée		42,493		42,493
Karma		21,174		14,456
Ming		12,446		14,440
Santa Elena		6,140		12,255
Yamana Silver Stream		74,229		-
Royalties [2]		103,634		150,120
Other [3]		6,868		11,438
Corporate		78,032		132,131
Consolidated	**$**	**496,873**	**$**	**431,070**

1) *Includes related accounts receivables and payables in relation to the respective properties.*
2) *Includes Bracemac-McLeod, Coringa, Mt. Hamilton, Paul Isnard, Prairie Creek, Ann Mason, Serra Pelada, Gualcamayo, Emigrant Springs, Mine Waste Solutions, San Andres, Sao Francisco, Sao Vicente, Thunder Creek, Bomboré, and the Gold Royalties royalty portfolio.*
3) *Includes Summit and other.*

17. SUBSEQUENT EVENTS

Teck Royalty Package

On January 19, 2016, the Company announced that it had agreed to acquire 55 royalties from Teck Resources Limited (“Teck”) and its affiliates for total consideration of up to $22 million, payable in $1.4 million cash and $20.6 million in common shares of the Company.

Entrée Stream

Subsequent to the year ended December 31, 2015, Sandstorm amended its Gold Stream with Entrée Gold Inc. (“Entrée”) such that the Company will now purchase an amount equal to 5.62% and 4.26% of the gold and silver by-products produced from the Hugo North Extension and Heruga deposits located in Mongolia, (the “Hugo North Extension” and “Heruga”, respectively) for per ounce cash payments equal to the lesser of $220 per ounce of gold and $5 per ounce of silver and the then prevailing market price of gold and silver, respectively. Additionally, Sandstorm amended its copper stream such that the Company will now purchase an amount equal to 0.42% share of the copper produced from Hugo North Extension and Heruga for per pound cash payments equal to the lesser of $0.50 per pound of copper and the then prevailing market price of copper. In consideration for the amendment and subsequent to the year ended December 31, 2015, Sandstorm received consideration of $6.8 million (of which $5.5 million was paid in cash and $1.3 million was received by way of Entrée common shares).

Exhibit 99.3

CERTIFICATION

I, Nolan Watson, certify that:

1. I have reviewed this annual report on Form 40-F of Sandstorm Gold Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 30, 2016

/s/ Nolan Watson
Nolan Watson
Chief Executive Officer

CERTIFICATION

I, Erfan Kazemi, certify that:

1. I have reviewed this annual report on Form 40-F of Sandstorm Gold Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 30, 2016

/s/ Erfan Kazemi
Erfan Kazemi
Chief Financial Officer

Exhibit 99.4

CERTIFICATION PURSUANT TO

18 U.S.C. §1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Sandstorm Gold Ltd. (the "Company") on Form 40-F for the period ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nolan Watson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 30, 2016

/s/ Nolan Watson
Nolan Watson
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Sandstorm Gold Ltd. and will be retained by Sandstorm Gold Ltd. and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the annual report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Registrant for purposes of §18 of the Securities Exchange Act of 1934, as amended.

CERTIFICATION PURSUANT TO

18 U.S.C. §1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Sandstorm Gold Ltd. (the "Company") on Form 40-F for the period ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Erfan Kazemi, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 30, 2016

/s/ Erfan Kazemi
Erfan Kazemi
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Sandstorm Gold Ltd. and will be retained by Sandstorm Gold Ltd. and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the annual report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Registrant for purposes of §18 of the Securities Exchange Act of 1934, as amended.

Exhibit 99.5

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Amendment No. 1 to the Registration Statement No. 333-206476 on Form F-10 and to the use of our reports dated March 30, 2016 relating to the consolidated financial statements of Sandstorm Gold Ltd. ("Sandstorm") and the effectiveness of Sandstorm's internal control over financial reporting (which report expresses an adverse opinion on the effectiveness of Sandstorm's internal control over financial reporting because of a material weakness) appearing in this Annual Report on Form 40-F of Sandstorm for the year ended December 31, 2015.

/s/ Deloitte LLP
Chartered Professional Accountants
Vancouver, Canada
March 30, 2016

Exhibit 99.6

CONSENT OF RAMON MENDOZA REYES

In connection with the Annual Report on Form 40-F, and any amendments and exhibits thereto, of Sandstorm Gold Ltd. (the "Company") for the year ended December 31, 2015 (collectively, the "Annual Report"), I, Ramon Mendoza Reyes, P. Eng., consent to the use of and references to my name, including as an expert or "qualified person," with respect to the disclosure on the Santa Elena mine contained in the Annual Report and any of the exhibits thereto, including, but not limited to, the Annual Information Form for the year ended December 31, 2015.

I also consent to the incorporation by reference of such information contained in the Annual Report and exhibits thereto into the Company's Registration Statement on Form F-10 (File No. 333-206476), as amended.

Date: March 30, 2016

/s/ Ramon Mendoza Reyes

Name: Ramon Mendoza Reyes, P. Eng.
Title: Vice President Technical Services for
First Majestic Silver Corp.

Exhibit 99.7

CONSENT OF WILLIAM WULFTANGE

In connection with the Annual Report on Form 40-F, and any amendments and exhibits thereto, of Sandstorm Gold Ltd. (the "Company") for the year ended December 31, 2015 (collectively, the "Annual Report"), I, William Wulftange, P.Geo., consent to (i) the use of and reference to any technical report(s), or portions thereof, that was prepared by me, that I supervised the preparation of and/or was reviewed and approved by me, (ii) the use of and references to my name, including as an expert or "qualified person," in connection with the Annual Report and any such technical report(s), and (iii) the information derived or summarized from such technical report(s) that is included or incorporated by reference in the Annual Report and any of the exhibits thereto, including, but not limited to, the Annual Information Form for the year ended December 31, 2015.

I also consent to the incorporation by reference of such information contained in the Annual Report and exhibits thereto into the Company's Registration Statement on Form F-10 (File No. 333-206476), as amended.

Date: March 30, 2016

/s/ William Wulftange

Name: William Wulftange, P.Geo.
Title: Senior Vice President of Exploration of
Yamana Gold Inc.

Exhibit 99.8

CONSENT OF KEITH LASKOWSKI

In connection with the Annual Report on Form 40-F, and any amendments and exhibits thereto, of Sandstorm Gold Ltd. (the "Company") for the year ended December 31, 2015 (collectively, the "Annual Report"), I, Keith Laskowski, MSc., consent to (i) the use of and reference to any technical report(s), or portions thereof, that was prepared by me, that I supervised the preparation of and/or was reviewed and approved by me, (ii) the use of and references to my name, including as an expert or "qualified person," in connection with the Annual Report and any such technical report(s), and (iii) the information derived or summarized from such technical report(s) that is included or incorporated by reference in the Annual Report and any of the exhibits thereto, including, but not limited to, the Annual Information Form for the year ended December 31, 2015.

I also consent to the incorporation by reference of such information contained in the Annual Report and exhibits thereto into the Company's Registration Statement on Form F-10 (File No. 333-206476), as amended.

Date: March 30, 2016

/s/ Keith Laskowski

Name: Keith Laskowski, MSc.
Title: Vice President Technical Services for Sandstorm Gold Ltd.