

CONSENT

TO: SANDSTORM METALS & ENERGY (U.S.) INC. ("Sandstorm Metals")
RE: Subordination Agreement dated as of July 22, 2011 (the "Subordination Agreement") among Sandstorm Metals, Mercuria Energy Group Holding S.A. ("Mercuria") and Royal Coal Corp, Royal Coal Limited, CDR Minerals (USA) Inc., CDR Big Branch, Inc. , CDR Laurel Fork Inc., CDR Sid Mining Inc. and CDR Operations Inc. (collectively, the "Royal Parties")


Pursuant to the provisions of Section 7 of the Subordination Agreement the consent of Mercuria is required to any amendment to the coal production payment agreement dated as of November 26, 2010 among Sandstorm Metals and the Royal Parties (the "Coal Purchase Agreement").

Sandstorm Metals and the Royal Parties wish to amend the Coal Purchase Agreement on the terms and conditions set out in the Amending Agreement attached hereto as Schedule "A" (the "Amendment").

Mercuria hereby consents to Sandstorm Metals and the Royal Parties entering into the Amendment.

DATED the 22nd day of December, 2011

MERCURIA ENERGY GROUP HOLDINGS S.A.

Per: 
Name: PAUL GIVERS
Title: DIRECTOR

THIS AMENDMENT AGREEMENT No. 1 dated as of December 22, 2011, (this "Amendment Agreement No. 1") is made:

AMONG:

ROYAL COAL CORP., a corporation incorporated and existing under the laws of the Province of Ontario

("Royal Coal")

- and -

CDR SID MINING, INC., a corporation incorporated and existing under the laws of the State of Kentucky

("CDR Sid")

- and -

CDR BIG BRANCH, INC., a corporation incorporated and existing under the laws of the State of Kentucky

("CDR Big Branch")

(in this Agreement, CDR Sid and CDR Big Branch are sometimes collectively referred to as the "R Subcos")

-and-

SANDSTORM METALS & ENERGY LTD., a corporation incorporated and existing under the laws of the Province of British Columbia

("Sandstorm Metals")

- and -

SANDSTORM METALS & ENERGY (US) INC., a corporation incorporated and existing under the laws of the State of Delaware

("Sandstorm Metals US")

WHEREAS Royal Coal, CDR Sid, CDR Big Branch, Sandstorm Metals and Sandstorm Metals are parties to a coal production payment agreement dated as of the 26th day of November, 2010 (the "**Agreement**");

AND WHEREAS it is appropriate for certain additional amendments to be made to the Agreement;

NOW THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. INTERPRETATION

Except as otherwise expressly provided herein, words and expressions which are defined in the Agreement shall have the meanings when used herein and in the recitals hereto as are ascribed to them in the Agreement, save that the words "**hereto**", "**herein**", "**hereof**", "**hereby**", "**hereunder**", "**this Agreement**" and similar expressions shall refer to this Agreement.

2. AMENDMENTS TO THE AGREEMENT

2.1 The following amendments shall be made to the Agreement from and after such time as Sandstorm Metals US shall have received proof, to its reasonable satisfaction, that Royal Coal has completed, from and after December 15, 2011, an equity financing for minimum gross proceeds of CDN\$5.0 million (and if Sandstorm Metals has not received such proof, to its reasonable satisfaction, on or before January 31, 2012, this Amendment Agreement No. 1 shall be at an end and the Agreement shall remain in full force and effect, unamended:):

(a) The following shall be added to section 1 (in the proper alphabetical order):

"**2011 AR Amount**" has the meaning set forth in section 3(f)(ii)(1);

"**2011 Sandstorm Metals US Cash Flow Deficiency**" has the meaning set forth in section 3(f)(ii)(2));

"**2012 Sandstorm Metals US Cash Flow Deficiency**" has the meaning set forth in section 3(f)(ii)(3);

"**Amendment Agreement No. 1**" means the amendment agreement no. 1 to amend this Agreement, dated as of December 22, 2011;

"**Bridge Loan**" means the bridge loan advanced contemporaneous with the execution and delivery of Amendment Agreement No. 1; and

"**Sandstorm Metals US Owed Amounts**" has the meaning set forth in section 3(f)(ii);

(b) Section 2 shall be amended by adding the following as the last sentence thereof:

Commencing on December 15, 2011, the obligations of each of the R Subcos under this Agreement to deliver and sell the Sandstorm Metals US Purchased Coal to Sandstorm Metals US shall be temporarily suspended until December 31, 2012 and shall resume on January 1, 2013.

- (c) Section 3 (b) shall be amended by adding the following as the last sentence thereof:

As set forth in section 2, commencing on December 15, 2011, the obligations of each of the R Subcos under this Agreement to deliver and sell the Sandstorm Metals US Purchased Coal to Sandstorm Metals US shall be temporarily suspended until December 31, 2012 and shall resume on January 1, 2013.

- (d) Section 3(f) shall be deleted in its entirety and the following shall be substituted therefor:

(i) Notwithstanding any other provision of this Agreement, the R Subcos do hereby jointly and severally guarantee to and in favour of Sandstorm Metals US that Sandstorm Metals US shall receive Sandstorm Metals US Cash Flow as follows: 1. a minimum of US\$2.0 million in Sandstorm Metals US Cash Flow from the purchase of Sandstorm Metals US Purchased Coal in calendar year 2011; and 2. a minimum of US\$2.5 million in Sandstorm Metals US Cash Flow from the purchase of Sandstorm Metals US Purchased Coal in each of calendar years 2012, 2013, 2014 and 2015. Subsection 3(f)(ii) sets forth procedures for the satisfaction by the R Subcos of deficiencies with respect to the Sandstorm Metals US Cash Flow for the calendar years 2011 and 2012.

(ii) The R Subcos do hereby jointly and severally acknowledge that the R Subcos owe Sandstorm Metals US the following amounts (the "**Sandstorm Metals US Owed Amounts**"): the sum of US\$248,285 (the "**2011 AR Amount**") on account of the sale of Sandstorm Metals US Purchased Coal in calendar year 2011; the sum of US\$1,018,597 with respect to the deficiency in minimum Sandstorm Metals US Cash Flow for the calendar year 2011 (the "**2011 Sandstorm Metals US Cash Flow Deficiency**"); and the sum of US\$2,500,000 with respect to the deficiency in minimum Sandstorm Metals US Cash Flow for the calendar year 2012 (the "**2012 Sandstorm Metals US Cash Flow Deficiency**"). The R Subcos jointly and severally agree that:

1. the R Subcos shall pay to Sandstorm Metals US the sum of US\$3,827,125 in cash, on or before June 30, 2012, without setoff, defalcation or deduction, which shall be in full settlement of the Sandstorm Metals US Owed Amounts;
2. if the R Subcos shall not make the payment in section 3(f)(ii)(1) on or before June 30, 2012, without setoff, defalcation or deduction, the R Subcos shall pay to Sandstorm Metals US the sum of US\$4,125,807 in cash on or before December 31, 2012, without setoff, defalcation or deduction, which shall be in full settlement of the Sandstorm Metals US Owed Amounts;
3. if the R Subcos shall not make the payment in section 3(f)(ii)(2) on or before December 31, 2012, without setoff, defalcation or deduction, the R Subcos shall pay to Sandstorm Metals US the sum of US\$4,442,353 in cash on or before June 30, 2013, without setoff, defalcation or deduction, which shall be in full settlement of the Sandstorm Metals US Owed Amounts; and
4. if the R Subcos shall make a pro rata payment of the amounts set forth in sections 3(f)(ii)(1) or 3(f)(ii)(2) on or before the due dates set forth in such sections (i.e. June 30, 2012 and December 31, 2012), then the payments that are due and owing by the R Subcos

to Sandstorm Metals US pursuant to subsequent sections of this section 3(f)(ii), shall be reduced on a proportionate basis. For example purposes only and without limitation, if the R Subcos shall pay to Sandstorm Metals US in cash, the sum of US\$382,712 on June 30, 2012 (equating to 10% of US\$3,827,125), then commencing on July 1, 2012, the R Subcos shall owe to Sandstorm Metals US 90% of the amount set forth in section 3(f)(ii)(2) or, in section 3(f)(ii)(3), as the case may be.

If the R Subcos shall fail to pay to Sandstorm Metals US, in cash, without setoff, defalcation or deduction, the sum of US\$4,442,353 on account of the Sandstorm Metals US Owed Amounts, subject to the provisions of sections 3(ii)(f)(1),(2) and (4), such failure shall constitute an R Subco Event of Default pursuant to Article 9.

- (iii) The R Subcos jointly and severally also agree that if Sandstorm Metals US does not receive any minimum Sandstorm Metals US Cash Flow amounts (being the sum of US\$2.5 million as set forth in section 3(f)(i), with respect to each of the calendar years 2013, 2014 and 2015) in any of the said applicable calendar years (2013, 2014 and 2015), then within 90 days of December 31 of the applicable calendar year, after receipt of written notice from Sandstorm Metals US, the R Subcos shall deliver to Sandstorm Metals US, without setoff, defalcation or deduction, an amount of Coal equal to the the dollar value of any such deficiency (based on the then applicable fair market value of the Coal). Failure to comply with this section shall constitute an R Subco Event of Default pursuant to Article 9.
- (iv) The dollar value with respect to the deliveries of Coal made by the R Subcos to Sandstorm Metals US pursuant to this section shall reduce the Uncredited Balance.
- (e) Section 9(a) shall be amended by the addition of the following as subsections (vii) and (viii) (and by deleting the word "and" after subsection 9(a)(v));
 - (vii) if there shall occur an R Subco Event of Default as set forth in section 3(f)(ii) or (iii);
 - (viii) If there shall occur an event of default under the Bridge Loan; and
 - (ix) if there shall occur an event of default under the Royalty Agreement.

3. NO OTHER AMENDMENTS, WAIVERS OR CONSENTS

Except as expressly amended, waived or consented to herein, the Agreement, as well as any document or agreement entered into between the parties in connection thereto (collectively with the Agreement being collectively referred to as the "**Documents**") shall be unmodified and shall continue to be in full force and effect in accordance with their terms (it being understood and agreed that nothing herein shall be construed as a novation of any amount outstanding or obligations under the Agreement) and all documents issued or granted in connection therewith are hereby ratified and confirmed and shall continue in full force and effect. After the effective date of this Amending Agreement No. 1, any reference to the Agreement shall refer to the Agreement, as amended hereunder.

4. GOVERNING LAW

The parties agree that this Amending Agreement No. 1 is conclusively deemed to be made under, and for all purposes to be governed and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein.

5. COUNTERPARTS

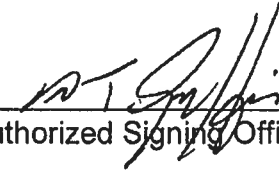
This Amending Agreement No. 1 may be executed in any number of counterparts, by original, electronic or telefacsimile signature, each such counterpart constituting an original but all together one and the same instrument.

SIGNATURE BLOCKS APPEAR ON NEXT PAGE

IN WITNESS WHEREOF the parties hereto have executed this Amending Agreement No. 1 as of the date and year first above written.

ROYAL COAL CORP.

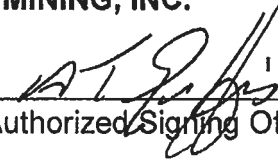
Per:



Authorized Signing Officer

CDR SID MINING, INC.

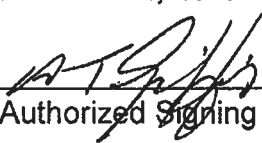
Per:



Authorized Signing Officer

CDR BIG BRANCH, INC.

Per:



Authorized Signing Officer

SANDSTORM METALS & ENERGY LTD.

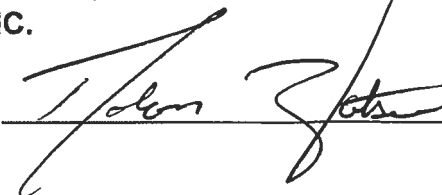
Per:



Authorized Signing Officer

SANDSTORM METALS & ENERGY (US) INC.

Per:



Authorized Signing Officer