SANDY LAKE GOLD INC.
(FORMERLY LAGO DOURADO MINERALS LTD.)
FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2016 AND 2015
(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditors' Report

To the Shareholders of Sandy Lake Gold Inc. (formerly Lago Dourado Minerals Ltd.):

We have audited the accompanying financial statements of Sandy Lake Gold Inc. (formerly Lago Dourado Minerals Ltd.), which comprise the statements of financial position as at May 31, 2016 and 2015, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sandy Lake Gold Inc. (formerly Lago Dourado Minerals Ltd.) as at May 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about Sandy Lake Gold Inc.'s (formerly Lago Dourado Minerals Ltd.) ability to continue as a going concern.

MNP LLP

September 22, 2016
Toronto, Ontario

Chartered Professional Accountants
Licensed Public Accountants

MNP LLP

SANDY LAKE GOLD INC. (FORMERLY LAGO DOURADO MINERALS LTD.)
Statements of Financial Position
(Expressed in Canadian Dollars)

	As at May 31, 2016	As at May 31, 2015
ASSETS		
Current assets		
Cash	$ **165,889**	$ 333,533
Marketable securities (note 4)	**61,659**	76,376
Amounts receivable	**2,266**	3,104
Prepaid expenses and deposits	**8,936**	13,115
Total current assets	**238,750**	426,128
Non-current assets		
Property and equipment (note 5)	**3,578**	4,598
Total non-current assets	**3,578**	4,598
Total assets	$ **242,328**	$ 430,726
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ **74,568**	$ 55,751
Total liabilities	**74,568**	55,751
Shareholders' equity		
Share capital (note 7)	**25,689,826**	25,689,826
Contributed surplus	**5,525,837**	5,525,837
Deficit	**(31,047,903)**	(30,840,688)
Total shareholders' equity	**167,760**	374,975
Total liabilities and shareholders' equity	$ **242,328**	$ 430,726

Nature of Operations and Going Concern (note 1)
Commitments and Contingencies (note 16)
Subsequent Events (note 18)

Approved on behalf of the Board:

(Signed) "Michele McCarthy" , Director

(Signed) "Jon Douglas" , Director

The accompanying notes to the financial statements are an integral part of these statements.

SANDY LAKE GOLD INC. (FORMERLY LAGO DOURADO MINERALS LTD.)

Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Year Ended May 31, 2016	Year Ended May 31, 2015
Operating expenses		
Professional fees	**$ 112,105**	$ 90,972
Wages and employee benefits	**32,575**	218,694
Insurance	**18,117**	19,638
Transfer agent and filing fees	**16,557**	30,145
Office rent and utilities	**4,371**	35,341
Exploration activities	**3,760**	7,062
Investor and community relations	**3,720**	21,541
Office and administrative	**2,170**	1,830
Depreciation	**1,020**	1,375
Interest income	**-**	(7)
Gain on disposal of subsidiaries (note 11)	**-**	(170,915)
Operating loss before the following items	**(194,395)**	(255,676)
Unrealized loss on marketable securities (note 4)	**(14,717)**	(135,228)
Gain on foreign exchange	**2,692**	6,309
Interest and bank charges	**(795)**	(2,295)
Reclassification on sale of foreign subsidiaries (note 11)	**-**	594,652
Net (loss) income	**(207,215)**	207,762
Other comprehensive loss		
Effect of translation to presentation currency	**-**	(57,757)
Reclassification on sale of foreign subsidiaries (note 11)	**-**	(594,652)
Comprehensive loss for the year	**$ (207,215)**	$ (444,647)
Basic and diluted net (loss) income per common share (note 10)	**$ (0.02)**	$ 0.02
Weighted average number of common shares outstanding - basic and diluted (note 10)	**9,427,982**	9,427,982

The accompanying notes to the financial statements are an integral part of these statements.

SANDY LAKE GOLD INC. (FORMERLY LAGO DOURADO MINERALS LTD.)
Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended May 31, 2016	Year Ended May 31, 2015
Operating activities		
Net (loss) income for the year	**$ (207,215)**	$ 207,762
Adjustments for:		
Depreciation	**1,020**	1,375
Gain on disposal of subsidiaries (note 11)	**-**	(170,915)
Unrealized loss on marketable securities (note 4)	**14,717**	135,228
Effect of translation to presentation currency	**-**	(51,986)
Reclassification on sale of foreign subsidiaries (note 11)	**-**	(594,652)
Changes in non-cash working capital items:		
Amounts receivable	**838**	6,175
Prepaid expenses and deposits	**4,179**	20,362
Accounts payable and accrued liabilities	**18,817**	(221,498)
Net cash used in operating activities	**(167,644)**	(668,149)
Investing activity		
Proceeds from sale of foreign subsidiaries (note 11)	**-**	650,000
Net cash provided by investing activity	**-**	650,000
Net change in cash	**(167,644)**	(18,149)
Cash, beginning of year	**333,533**	351,682
Cash, end of year	**$ 165,889**	$ 333,533

The accompanying notes to the financial statements are an integral part of these statements.

SANDY LAKE GOLD INC. (FORMERLY LAGO DOURADO MINERALS LTD.)
Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Share Capital				Accumulated		
	Number of Common Shares	Amount	Warrants	Contributed Surplus	Other Comprehensive Surplus	Deficit	Total Equity
Balance, May 31, 2014	**9,427,982**	**$ 25,689,826**	**$ 1,597,501**	**$ 3,928,336**	**$ 652,409**	**$ (31,048,450)**	**$ 819,622**
Warrants expired	-	-	(1,597,501)	1,597,501	-	-	-
Net income for the year	-	-	-	-	-	207,762	207,762
Other comprehensive loss	-	-	-	-	(57,757)	-	(57,757)
Reclassification on sale of foreign subsidiaries	-	-	-	-	(594,652)	-	(594,652)
Balance, May 31, 2015	**9,427,982**	**25,689,826**	**-**	**5,525,837**	**-**	**(30,840,688)**	**374,975**
Net loss for the year	-	-	-	-	-	(207,215)	(207,215)
Balance, May 31, 2016	**9,427,982**	**$ 25,689,826**	**$ -**	**$ 5,525,837**	**$ -**	**$ (31,047,903)**	**$ 167,760**

The accompanying notes to the financial statements are an integral part of these statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Sandy Lake Gold Inc. (formerly Lago Dourado Minerals Ltd.) (the "Company" or "Sandy Lake") was incorporated as 7177411 Canada Corporation on May 21, 2009 under the laws of Canada. The Company is primarily engaged in the business of acquiring and exploring mineral properties. The Company is currently assessing potential opportunities to acquire properties. The Company is publicly traded on the TSX Venture Exchange ("TSX-V") under the symbol SDL.

The head office, principal address and records office of the Company are located at 141 Adelaide Street West, Suite 1205, Toronto, Ontario, Canada, M5H 3L5.

In order to meet future expenditures and cover administrative costs, the Company will need to raise additional financing. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company.

These financial statements have been prepared on a going concern basis, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from May 31, 2016. However, the Company is exploration focused and is subject to the risks and challenges of companies in the same sector. These risks include, but are not limited to, the challenges of securing adequate capital in view of exploration, development and operational risks inherent in the mining industry as well as global economic, precious and base metal price volatility; all of which are uncertain under current market conditions. As a result of these risks, there is no assurance that the Company's funding initiatives will continue to be successful and these financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and financial position classifications that would be necessary were the going concern assumption inappropriate. The Company has an accumulated deficit of $31,047,903 from inception and working capital of $164,182.

The Company's financial statements were authorized for issue by the Board of Directors on September 22, 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of Presentation

These financial statements have been prepared on a historical cost basis except for financial instruments classified at fair value through profit or loss ("FVTPL") which are stated at fair values. The accounting policies have been applied consistently throughout all periods presented in these financial statements.

Basis of Consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain the benefit from its activities. The subsidiaries are included in the financial statements from the date that control commences until the date that control ceases. The financial statements include the accounts of the Company and its subsidiaries Lago Dourado Mineração Ltda, Sunny Skies Investment Limited (“Sunny Skies”) and Juruena Mineração Ltda. (“BVI Brazil”) which were sold on July 22, 2014 and not consolidated as at May 31, 2015 and May 31, 2016. All significant intercompany transactions and balances and unrealized income and expenses have been eliminated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Presentation Currency and Functional Currency

The Company's presentation currency is the Canadian dollar ("CAD"). The functional currency of the Company is the CAD and the functional currency of its former Brazilian's subsidiaries was the U.S. Dollar ("USD"). Where the functional currency of a subsidiary is different than the presentation currency, assets and liabilities have been translated using the exchange rate at period end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (the average rate for the period). All resulting exchange differences are recorded in the accumulated other comprehensive surplus.

Foreign Currency Translations

Transactions in foreign currencies are translated into the entities' functional currency at the exchange rate at the date of the transactions. Monetary assets and liabilities of the Company's operations denominated in a currency other than the functional currency are translated at the rate in effect at the statement of financial position date, and non-monetary items at historic exchange rates at each transaction date. Revenue and expense items are translated at average exchange rates of the reporting period. Gains and losses on translation are charged to the statements of comprehensive loss.

Financial Instruments

All financial instruments are recorded initially at fair value. In subsequent periods, all financial instruments are measured based on the classification adopted for the financial instrument: held-to-maturity, loans and receivables, FVTPL, available-for-sale, FVTPL liabilities or other liabilities.

Transaction costs associated with FVTPL financial assets are expensed as incurred while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset. FVTPL assets and liabilities are subsequently measured at fair value with the change in the fair value recognized in net income during the period. Held-to-maturity assets, loans and receivables, and other liabilities are subsequently measured at amortized cost using the effective interest rate method.

Available-for-sale assets are subsequently measured at fair value with the changes in fair value recorded in other comprehensive loss, except for equity instruments without a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost.

The Company has classified its financial instruments as follows:

Financial Instruments	Classification
Cash	FVTPL
Marketable securities	FVTPL
Amounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

The Company's financial instruments measured at fair value on the statement of financial position consist of cash and marketable securities. Cash and marketable securities are measured at level 1 of the fair value hierarchy. There are three levels of the fair value hierarchy as follows:

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Impairment

(i) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of a cash-generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. Impairment losses are recognized in net (loss) income.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

(ii) Financial assets

A financial asset not carried at FVTPL is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of 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 asset's original effective interest rate. Losses are recognized in net (loss) income and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net loss to a maximum carrying value equal to what the carrying value would have been if the impairment had not previously occurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comprehensive Income

Comprehensive (loss) income measures net (loss) income for the period plus other comprehensive (loss) income. Other comprehensive loss consists of changes to unrealized gains and losses on available-for-sale financial assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and effect of translation to presentation currency at the reporting date. Amounts reported as other comprehensive loss are accumulated in a separate component of shareholders' equity as Accumulated Other Comprehensive Surplus.

Property and Equipment

Property and equipment are recorded at cost and amortized over their estimated useful lives at the following annual rates:

Vehicles	- 20% declining balance basis
Office furniture	- 20% declining balance basis
Equipment	- 20% declining balance basis
Computer hardware	- 45% declining balance basis
Computer software	- 100% declining balance basis

Revenue Recognition

Interest income earned is recognized on an accrual basis.

Income Taxes

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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 against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exploration and Evaluation Assets

Exploration and evaluation assets include mining interests

Exploration and evaluation costs, including the cost of acquiring licenses, are capitalized as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and the commercial viability of the project. The capitalized costs are presented as either tangible or intangible exploration and evaluation assets according to the nature of the assets acquired. Capitalized costs include costs directly related to exploration and evaluation activities in the area of interest. General and administrative costs are only allocated to the asset to the extent that those costs can be directly related to operational activities in the relevant area of interest. When a license is relinquished or a project is abandoned, the related costs are recognized in net income immediately.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) fact and circumstances suggest that the carrying amount exceeds the recoverable amount (see Impairment).

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven reserves are determined to exist, the rights of tenure are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area, or alternatively by sale of the property. Upon determination of proven reserves, intangible exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to a separate category within tangible assets. Expenditure deemed to be unsuccessful is recognized in net income (loss) immediately.

Pre-exploration and evaluation expenditures

Exploration and evaluation costs incurred prior to acquiring the right to explore mining interests are expensed as exploration and evaluation assets on a project-by-project basis. If the costs incurred cannot be directly attributed to a project that is going to be pursued beyond the pre-exploration and evaluation stage they are expensed.

Title

Ownership in mineral properties involves certain risks due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests.

Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

The Company had no provisions at May 31, 2016 and 2015.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Decommissioning Liability

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of an oil and gas property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized to the carrying amount of the asset, as soon as the obligation to incur such costs arises, whether at the start of each project or on an ongoing basis during production. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit of production or the straight-line method as appropriate under IFRS. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

The Company has no restoration, rehabilitation and environmental costs at May 31, 2016 and 2015.

Share Issuance Costs

Costs incurred in connection with the issuance of share capital are recognized as a deduction from the proceeds received.

(Loss) Income Per Share

Basic (loss) income per share is calculated based on the weighted average number of shares outstanding. Diluted (loss) income per share is computed similar to basic (loss) income per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods if the effects were not anti-dilutive.

The effect on the diluted (loss) income per share on the exercise of the stock options and warrants described in notes 8 and 9 would be anti-dilutive.

Stock-based Compensation

The Company has a share-based payment plan as described in note 8. The Company uses the fair-value based method to account for all share-based payments to employees and non-employees granted after January 1, 2004 by measuring the compensation cost of the share-based payments using the Black-Scholes option-pricing model. For employee related payments, the fair value of the stock-based compensation is recorded as a charge to operations over the vesting period with a credit to contributed surplus. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

For equity-settled share-based payment transactions, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be reliably measured, in which case it is measured based on the fair value of the equity instruments granted. Share-based payments made to employees directly involved in the exploration of mineral properties are capitalized to the mining interests.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Segment Reporting

The Company operated in one operating and reporting segment, being the Canadian exploration operations. During the year ended May 31, 2015, the operations in Brazil were sold.

Use of Estimate

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Areas requiring significant estimates and judgments by management are the determination of functional currencies, depreciation of property and equipment and deferred taxes. Actual results could differ from those estimates.

Recent Accounting Pronouncements

IFRS 9 Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company is currently assessing the impact of this pronouncement.

IFRS 16 Leases ("IFRS 16") was issued by IASB in January 2016. IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-statement of financial position finance leases and off statement of financial position operating leases. Instead, there is a single, on statement of financial position accounting model that is similar to current finance lease accounting. The extent of the impact of adoption of IFRS 16 has not yet been determined.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") was issued by IASB in May 2014 and will replace IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations on revenue. IFRS 15 establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of analyzing IFRS 15 and determining the effect on its consolidated financial statements as a result of adopting this standard.

(Expressed in Canadian Dollars)

3. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to dispose of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

(a) Assets and liabilities measured at fair value on a recurring basis:

As at May 31, 2016	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Aggregate fair value**
Cash	$ 165,889	$ -	$ -	$ 165,889
Marketable securities	61,659	-	-	61,659
	$ 227,548	$ -	$ -	$ 227,548
As at May 31, 2015				
Cash	$ 333,533	$ -	$ -	$ 333,533
Marketable securities	76,376	-	-	76,376
	$ 409,909	$ -	$ -	$ 409,909

(b) Categories of financial instruments:

As at May 31,	**2016**	**2015**
Financial assets:		
FVTPL		
Cash	**$ 165,889**	$ 333,533
Marketable securities	**61,659**	76,376
Loans and receivables		
Amounts receivable	**2,266**	3,104
	$ 229,814	$ 413,013
Financial liabilities:		
Other liabilities		
Accounts payable and accrued liabilities	**$ 74,568**	$ 55,751

The Company has not offset financial assets with financial liabilities.

The carrying value of the Company's amounts receivable and accounts payable and accrued liabilities is close to fair value due to their short-term maturity.

(Expressed in Canadian Dollars)

4. MARKETABLE SECURITIES

Marketable securities have been designated as FVTPL and are recorded at fair value using the last bid price, with changes recognized in the statement of comprehensive loss. Marketable securities are composed of:

	Fair market value May 31, 2015	Acquisition cost	Fair market adjustment	Fair market value May 31, 2016
Crusader Resources Limited - 500,000 common shares	**$ 76,376**	$ -	$ (14,717)	**$ 61,659**

	Fair market value May 31, 2014	Acquisition cost	Fair market adjustment	Fair market value May 31, 2015
Crusader Resources Limited - 500,000 common shares	**$ -**	$ 211,604	$ (135,228)	**$ 76,376**

During the year ended May 31, 2015, the Company received 500,000 common shares of Crusader Resources Limited ("Crusader") (see note 11) as part of the consideration for the sale of its Brazilian assets in 2014..

5. PROPERTY AND EQUIPMENT

Cost	Vehicles	Office furniture	Equipment	Computer hardware	Computer software	Total
Balance, May 31, 2014	**$ 116,374**	**$ 81,054**	**$ 127,908**	**$ 47,916**	**$ 120,784**	**$ 494,036**
Disposals (i)	(116,374)	(79,749)	(116,916)	(39,483)	(22,143)	(374,665)
Balance, May 31, 2015 and May 31, 2016	**$ -**	**$ 1,305**	**$ 10,992**	**$ 8,433**	**$ 98,641**	**$ 119,371**

Accumulated depreciation	Vehicles	Office furniture	Equipment	Computer hardware	Computer software	Total
Balance, May 31, 2014	**$ 73,718**	**$ 41,813**	**$ 61,824**	**$ 40,634**	**$ 110,274**	**$ 328,263**
Additions	-	96	953	326	-	1,375
Disposals (i)	(73,718)	(40,987)	(55,600)	(32,927)	(11,633)	(214,865)
Balance, May 31, 2015	**-**	**922**	**7,177**	**8,033**	**98,641**	**114,773**
Additions	-	76	764	180	-	1,020
Balance, May 31, 2016	**$ -**	**$ 998**	**$ 7,941**	**$ 8,213**	**$ 98,641**	**$ 115,793**

Net book value	Vehicles	Office furniture	Equipment	Computer hardware	Computer software	Total
Balance, May 31, 2015	**$ -**	**$ 383**	**$ 3,815**	**$ 400**	**$ -**	**$ 4,598**
Balance, May 31, 2016	**$ -**	**$ 307**	**$ 3,051**	**$ 220**	**$ -**	**$ 3,578**

(i) On July 22, 2014, the Company sold all its shares in Sunny Skies, BVI Brazil and Lago Dourado Mineração Ltda. which included property and equipment with a carrying value of $159,800 (see note 11).

(Expressed in Canadian Dollars)

6. MINING INTERESTS

	May 31, 2015	Disposition	May 31, 2016
Juruena Project (i)	$ -	$ -	$ -

	May 31, 2014	Disposition	May 31, 2015
Juruena Project (i)	$ 536,660	$ (536,660)	$ -

(i) Juruena Project

The Company held a 100% interest in 21 exploration licenses on the property. The licenses were transferred to the Company by Gungnir Resources Inc. ("Gungnir"), a company controlled by a director and of the Company. 17 of the licenses are subject to a 1% net smelter returns royalty which has been assigned by Gungnir to another company, in which a director of the Company is part of the ownership group. Gungnir obtained the licenses from Geomin Geologia E Mineração Ltda. ("Geomin") and Talon Metals Corp. in option agreements.

A lawsuit was filed on September 18, 2009 by a native group in regards to 12 exploration licences at the Juruena Project. The lawsuit has been brought against the DNPM, Brazilian Resources Mineração Ltda. and Geomin (not including the Company) and claims that the priority right of the exploration licences belongs to the claimant. A preliminary injunction by this group was rejected by the Brazilian courts; the group has the option to be able to re-file its claim.

15 of the claims included in the Juruena Project and the Juruena Project are located within areas immediately surrounding the Juruena National Park (an environmental conservation unit). Special requirements may apply in cases where exploration and mining works are performed within, or close to, environmental conservation units, depending on the applicable rules to such units and the respective management plan. For the purpose of impairment testing, Juruena project was considered a cash generating unit.

On May 14, 2014, the Company entered into an agreement for the sale of all its subsidiaries (see note 11) which included all its interests in the Juruena Project. The agreement closed on July 22, 2014 and was recorded as a disposition during the year ended May 31, 2015.

Proceeds received on July 27, 2014 were $861,604 resulting in a gain of $170,915 for the year ended May 31, 2015.

7. SHARE CAPITAL

On April 1, 2015, the Company completed the consolidation of its issued and outstanding common shares on the basis of one post-consolidated common shares for ten pre-consolidated common shares. As part of the share consolidation all applicable references to the number of shares, warrants and stock options and their exercise price and per share information has been restated.

a) Authorized share capital

The authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

b) Common shares issued

	Number of common shares	Amount
Balance, May 31, 2015 and 2016	**9,427,982**	**$ 25,689,826**

(Expressed in Canadian Dollars)

8. STOCK OPTIONS

The Company has a formal stock option plan (the "Plan"). The number of shares reserved for issuance to any one insider, within a one-year period, pursuant to options must not exceed 5% of the outstanding issue. The number of shares reserved for issuance to insiders, within a one-year period, pursuant to options must not exceed 10% of the outstanding issue. The option price of the shares shall be fixed by the Board but must not be less than the closing sale price of the shares on the TSX-V on the day immediately preceding grant. Pursuant to the Company's Plan the Board will determine the vesting period and exercise rights for each stock option granted.

The following table reflects the continuity of options for the following periods:

	Number of options	Weighted average exercise price ($)
Balance, May 31, 2014	**841,000**	**4.22**
Expired/forfeited	(219,000)	4.35
Balance, May 31, 2015	**622,000**	**4.17**
Expired/forfeited	(407,000)	4.17
Balance, May 31, 2016	**215,000**	**4.17**

Details of the stock options outstanding as at May 31, 2016 are as follows:

Remaining contractual life (years)	Exercisable options	Number of options	Weighted average exercise price ($)	Expiry date
0.06	25,000	25,000	7.50	June 22, 2016
0.43	62,000	62,000	5.00	November 3, 2016
0.91	15,000	15,000	4.00	April 17, 2017
1.50	103,000	103,000	3.00	November 29, 2017
1.65	10,000	10,000	3.00	January 25, 2018
	215,000	215,000	4.17	

The above options are not included in the computation of diluted (loss) income per share as they are anti-dilutive.

The weighted average remaining contractual life of outstanding stock options is 0.99 years (May 31, 2015 - 1.08 years).

9. WARRANTS

All of the outstanding warrants were issued in conjunction with the issuance of common shares. The Company records the fair value of warrants issued for the issuance of units comprising shares and warrants in warrant capital.

The following table reflects the continuity of warrants for the following years:

	Number of warrants	Weighted average exercise price ($)
Balance, May 31, 2014	**1,119,250**	**6.00**
Expired	(1,119,250)	6.00
Balance, May 31, 2015 and 2016	**-**	-

(Expressed in Canadian Dollars)

10. NET (LOSS) INCOME PER COMMON SHARE

The calculation of basic and diluted (loss) income per share for the year ended May 31, 2016 was based on the loss attributable to common shareholders of $207,215 (year ended May 31, 2015 - income of $207,762) and the weighted average number of common shares outstanding of 9,427,982 (year ended May 31, 2015 - 9,427,982). Diluted (loss) income did not include the effect of stock options for the year ended May 31, 2016 and May 31, 2015, as they are anti-dilutive.

11. SALE OF OPERATIONS

On May 14, 2014, the Company entered into an agreement with Crusader for the sale of all its shares in Sunny Skies, BVI Brazil and Lago Dourado Mineração Ltda. Under the terms of the deal, the Company is to receive $650,000 and up to 2,000,000 common shares of Crusader. As per the agreement, the shares are issuable as follows and are subject to a voluntary escrow of 12 months:

- 500,000 shares upon completion of the transaction; and
- 750,000 shares upon definition of a gold resource of at least 400,000 ounces greater than 10g/t Au within 5 years; and
- 750,000 shares upon gold production of 20,000 ounces per year within 5 years.

As of May 31, 2014, the Company had received $150,000 which was recorded in accounts payable and accrued liabilities. On July 22, 2014 the deal closed and the Company received the remaining $500,000 and 500,000 common shares.

The Company has estimated the value of the 500,000 shares received on the date of sale at $211,604 based on Crusader's share price on July 22, 2014 but has not assigned any value to the remaining 1,500,000 shares given the uncertainty in achieving the target thresholds.

The Company sold mining interests, property and equipment, other assets and liabilities with carrying values of $536,660, $159,800, $4,631 and $10,402 respectively.

A summary of the transaction recorded during the year ended May 31, 2015 is as follows:

Cash consideration	$	650,000
Share consideration		211,604
		861,604
Carrying value of items disposed:		
Mining interests		536,660
Property and equipment		159,800
Other assets		4,631
Other liabilities		(10,402)
		690,689
Gain on sale of subsidiaries	$	170,915

(Expressed in Canadian Dollars)

12. INCOME TAXES

Income Tax Expense

The following table reconciles income taxes calculated at combined Canadian federal and provincial tax rates with the income tax expense in the financial statements:

	Year ended May 31, 2016	Year ended May 31, 2015
Net (loss) income before income tax	**$ (207,215)**	$ 207,762
Statutory rate	**26.50%**	26.50%
Expected income tax (recovery) provision	**$ (54,910)**	$ 55,057
Non-deductible costs	**270**	747
Non-deductible portion of capital losses	**-**	(2,957,269)
Reversal of deferred tax assets due to sale of foreign operations	**-**	5,895,159
Change in deferred tax assets not recognized	**54,640**	(2,993,694)
Provision for income taxes	**$ -**	$ -

Deferred Income Taxes

The temporary differences that give rise to deferred income tax assets and deferred income tax liabilities are presented below:

Deferred tax assets (liabilities)	As at May 31, 2016	As at May 31, 2015
Non-capital loss carry forwards	**$ 1,354,150**	$ 1,295,700
Net capital loss carry forwards	**5,914,540**	2,957,300
Other	**-**	69,200
	7,268,690	4,322,200
Less: deferred tax assets not recognized	**(7,268,690)**	(4,322,200)
Net deferred income tax assets (liabilities)	**$ -**	$ -

Loss Carry Forwards

The Company has non-capital tax loss carry forwards in Canada expiring as follows:

2030	$ 667,000
2031	613,000
2032	1,177,000
2033	1,016,000
2034	840,000
2035	576,000
2036	221,000
	$ 5,110,000

(Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS

(a) The Company entered into the following transactions with related parties:

	Year Ended May 31, 2016	Year Ended May 31, 2015
Marrelli Support Services Inc. ("Marrelli Support") (i)	**$ 28,327**	$ -

(i) On July 8, 2015, the Company entered into an accounting support services agreement with Marrelli Support wherein Marrelli Support provided, beginning July 8, 2015, certain accounting support services to the Company. On July 8, 2015, in connection with such agreement with Marrelli Support, the Company retained Ms. Marie-Josee Audet, a senior employee of Marrelli Support, as its Chief Financial Officer. As at May 31, 2016, Marrelli Support was owed $2,918 (May 31, 2015 - $nil). These amounts are included in accounts payable and accrued liabilities.

(b) The Company has identified its directors and certain senior officers as its key management personnel. The compensation cost for key management personnel is as follows:

	Year Ended May 31, 2016	Year Ended May 31, 2015
Salaries and fees (i)	**$ 32,575**	$ 241,328

(i) At May 31, 2016, $nil (May 31, 2015 - $20,539) was owed to the Chief Executive Officer ("CEO") of the Company and is included in accounts payable and accrued liabilities.

14. CAPITAL RISK MANAGEMENT

The Company considers its capital to consist of share capital, contributed surplus and deficit, in the definition of capital, which as at May 31, 2016, totaled $167,760 (May 31, 2015 - $374,975).

The Company's objective when managing capital is to maintain adequate levels of funding to support its exploration activities and to maintain corporate and administrative functions necessary to support operational activities.

The Company manages its capital structure in a manner that provides sufficient funding for operational activities. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurances that the Company will be able to continue raising equity capital in this manner (refer to note 18(ii)).

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term guaranteed deposits, and all are held in major financial institutions.

There were no changes to the Company's approach to capital risk management during the year.

15. FINANCIAL INSTRUMENTS AND RISK FACTORS

The Company's risk management activities include the presentation of capital by minimizing risk related to its cash. The Company does not trade financial instruments for speculative purposes. The Company does not have a risk management committee or written risk management policies. The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, fair value and market risk (including interest rate risk, currency risk and price risk). There were no changes to the Company's policies and objectives for managing risk during the year.

(a) Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company is not exposed to any credit risks attributable to customers and does not engage in any sales activities.

The Company's cash are held in major Canadian and International financial institutions and the Company has no investment in non-bank asset-backed commercial paper.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities as they come due. The Company's investment policy is to invest its excess cash in high grade investment securities with varying terms to maturity, selected with regard to the expected timing of expenditures for continuing operations. Accounts payable and accrued liabilities are all current. The Company monitors its liquidity position and budgets future expenditures, in order to ensure that it will have sufficient capital to satisfy liabilities as they come due.

As at May 31, 2016, the Company had current liabilities of $74,568 (May 31, 2015 - $55,751) due within 12 months and has cash of $165,889 (May 31, 2015 - $333,533) to meet its current obligations. As a result, the Company has minimal liquidity risk. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

(c) Fair Value

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect estimates.

The carrying values of amounts receivable and accounts payable and accrued liabilities approximate fair values due to the relatively short term maturities of these instruments.

(d) Market Risk

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has no significant risk to future cash flows from interest rate risk. The Company does not use derivative instruments to reduce its exposure to interest rate risk.

Currency risk

The Company's functional and presentation currency is the CAD and major purchases are transacted in Canadian dollars. As a result, the Company is not exposed to any significant foreign currency risk.

15. FINANCIAL INSTRUMENTS AND RISK FACTORS (CONTINUED)

(d) Market Risk (Continued)

Price risk

The Company is exposed to price risk with respect to equity prices and commodity prices. Equity price risk is defined as the potential adverse impact on the Company's loss due to movements in individual equity prices or general movements in the level of stock market. Commodity price risk is defined as the potential adverse impact and economic value due to commodity price movements and volatilities.

The Company's marketable securities are subject to fair value fluctuations arising from changes in the equity markets and as at May 31, 2016 amount to $61,659 (May 31, 2015 - $76,376).

Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve month period:

(i) The Company's marketable securities are subject to fair value fluctuations. As at May 31, 2016, if the fair value of the Company's marketable securities had increased/decreased by 10% with all other variables held constant, profit and loss for the year ended May 31, 2016, would have been approximately $6,200 (May 31, 2015 - $7,600) lower/higher. Similarly, as at May 31, 2016, the Company's reported shareholders' equity would have been approximately $6,200 (May 31, 2015 - $7,600) higher/lower as a result of a 10% increase/decrease in marketable securities.

16. COMMITMENTS AND CONTINGENCIES

The Company's activities are subject to environmental regulation (including regular environmental impact assessments and permitting) in each of the jurisdictions in which its mineral properties are located. Such regulations cover a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour relations and worker safety. The Company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. It is likely that environmental legislation and permitting will evolve in a manner which will require stricter standards and enforcement. This may include increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a higher degree of responsibility for companies, their directors and employees.

As of May 31, 2015, the Company had disposed of all investments in mining interests so to the best of management's knowledge of current and proposed environmental regulations, no closure provisions need to be accrued in the Company's financial statements. Management is unable to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future due to the uncertainty surrounding the form that these laws and regulations may take.

17. SEGMENTED INFORMATION

The Company's operations comprise a single reporting operating segment engaged in mineral exploration in Canada. As the operations comprise a single reporting segment, amounts disclosed in the financial statements of comprehensive loss for the years also represent segmented amounts.

All of the Company's operations, assets and liabilities are in Canada.

18. SUBSEQUENT EVENTS

(i) On May 16, 2016, the Company and GPM Metals Inc. ("GPM") entered into a definitive agreement governing a proposed acquisition (the "Acquisition") by Sandy Lake from GPM of GPM's interests in the Sandy Lake district, Northwestern Ontario. These interests include a 100% interest in 1,421 contiguous claim units known as the "East Block" (the "Additional Interest") as well as GPM's right to earn up to a 70% interest in the Weebigee Project, also known as the "Northwest" claim block (collectively, the "Project").

GPM agreed to sell its interests in the Project in consideration of the issuance of 40,000,000 common shares of Sandy Lake (the "Consideration Shares"). It was a condition to the completion of the Acquisition that GPM shall effect a distribution of the Consideration Shares to its shareholders following the closing of the Acquisition (the "Share Distribution"). The Shares Distribution was effected on September 16, 2016. Following the closing of the Acquisition, the Board of Directors of Sandy Lake was reconstituted to and consist of five (5) directors, three (3) of which are nominees of Sandy Lake and two (2) of which are nominees of GPM.

On April 23, 2016, the Company announced that Goldeye Explorations Limited ("Goldeye") contended that the Additional Interest had become part of the property comprising the Weebigee Project and/or had become subject to a 50/50 joint venture between GPM and Goldeye, all pursuant to an option agreement between GPM and Goldeye. As Goldeye did not make timely payment to GPM of its pro rata share of the costs of acquiring the Additional Interest as required, the Company has been advised that GPM disagrees with any such assertion that Goldeye has acquired, or has the right to acquire, any rights or interest in the Additional Interest.

On June 21, 2016, the Acquisition was approved by shareholders of the Company.

On July 21, 2016, the Acquisition was completed and the Company filed articles of amendment to change its name from "Lago Dourado Minerals Ltd." to "Sandy Lake Gold Inc.". The common shares of Sandy Lake giving effect to the name change commenced trading on the TSX-V under the new symbol "SDL" on July 22, 2016.

(ii) On June 14, 2016, the Company closed its previously announced non-brokered private placement pursuant to which it has issued 12,000,000 subscription receipts at a price of $0.10 to raise aggregate gross proceeds of $1,200,000 (the "Offering"). Each subscription receipt entitled the holder to acquire one common share of the Company automatically without any additional payment upon the satisfaction of all conditions precedent to the Acquisition. The gross proceeds of the Offering were held in escrow pending conversion of the subscription receipts.

The Company plans to use the proceeds of the Offering to fund exploration activities on the project properties and for general corporate purposes. All securities issued and issuable in the Offering are subject to a statutory hold period expiring on October 15, 2016.

On July 21, 2016, immediately prior to completion of the Acquisition, the subscription receipts issued by the Company were automatically converted into an aggregate of 12,000,000 common shares of Sandy Lake, without any further action on the part of the holders thereof, and the proceeds from the sale of such subscription receipts were released to Sandy Lake from escrow.

(iii) On June 22, 2016, 25,000 stock options with an exercise price of $7.50 expired unexercised.

18. SUBSEQUENT EVENTS (CONTINUED)

(iv) On July 27, 2016, the Company announced that it declared an event of force majeure under the option agreement between GPM and Goldeye dated April 15, 2015 relating to the property known as the Weebigee Project ("Option Agreement"). GPM's rights under the Option Agreement were acquired by Sandy Lake pursuant to the Acquisition on July 21, 2016 (see note 18(i)).

The event of force majeure results from the positions taken by local First Nations and recent discussions with the Government of Ontario, which have rendered it necessary for Sandy Lake to cease work on the Weebigee Project.

It will be necessary for the Company to engage in appropriate consultations with local First Nations with the assistance of the Government of Ontario before the Company can resume work on the Weebigee Project.

(v) On September 22, 2016, the Company announced that it received a formal notice of arbitration (the "Notice") pursuant to the Option Agreement. The Notice demands arbitration concerning among other things, the dispute regarding the Additional Interest.

Goldeye alleges that, pursuant to the Option Agreement, 525 of the claim units comprising the Additional Interest have become part of the Weebigee Project, and 896 of the claim units comprising the Additional Interest have become part of a 50/50 joint venture. Sandy Lake vehemently disagrees with these allegations and states that Goldeye did not make timely payment to GPM of its share of the costs of acquiring the Additional Interest as required, such that Goldeye has not acquired, and does not have any right to acquire, any rights or interest in the Additional Interest. In addition, the Notice sets forth certain ancillary claims made by Goldeye and seeks relief regarding other matters concerning the Weebigee Project including, without limitation (i) an order that the previously announced event of force majeure declared by Sandy Lake is invalid; and (ii) an order relating to the validity of certain expenses claimed by Sandy Lake in satisfaction of the obligation to incur certain exploration expenditures on the Weebigee Project in accordance with the terms of the Option Agreement.

Sandy Lake disputes Goldeye's allegations contained in the Notice, and intends to defend its position accordingly.