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**SANDY LAKE GOLD INC.  
(FORMERLY LAGO DOURADO MINERALS LTD.)  
CONDENSED INTERIM FINANCIAL STATEMENTS  
THREE MONTHS ENDED AUGUST 31, 2016  
(EXPRESSED IN CANADIAN DOLLARS)  
(UNAUDITED)**

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**Notice to Reader**

The accompanying unaudited condensed interim financial statements of Sandy Lake Gold Inc. (formerly Lago Dourado Minerals Ltd.) (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements have not been reviewed by the Company's auditors.

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

Condensed Interim Statements of Financial Position  
(Expressed in Canadian Dollars)

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	As at August 31, 2016 (Unaudited)	As at May 31, 2016 (Audited)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 1,199,015	\$ 165,889
Marketable securities (note 3)	69,083	61,659
Amounts receivable	22,810	2,266
Prepaid expenses and deposits	2,968	8,936
<b>Total current assets</b>	<b>1,293,876</b>	<b>238,750</b>
<b>Non-current assets</b>		
Property and equipment (note 4)	3,385	3,578
Mining interests (note 5)	6,013,531	-
<b>Total non-current assets</b>	<b>6,016,916</b>	<b>3,578</b>
<b>Total assets</b>	<b>\$ 7,310,792</b>	<b>\$ 242,328</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 108,682	\$ 74,568
<b>Total liabilities</b>	<b>108,682</b>	<b>74,568</b>
<b>Shareholders' equity</b>		
Share capital (note 6)	32,829,583	25,689,826
Contributed surplus	5,525,837	5,525,837
Deficit	(31,153,310)	(31,047,903)
<b>Total shareholders' equity</b>	<b>7,202,110</b>	<b>167,760</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 7,310,792</b>	<b>\$ 242,328</b>

Nature of Operations and Going Concern (note 1)

Subsequent Events (note 11)

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

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

Condensed Interim Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

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Three Months Ended  
August 31,  
2016                      2015

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**Operating expenses**

Professional fees	\$ 62,816	\$ 3,186
Transfer agent and filing fees	19,359	2,138
Donation	10,000	-
Wages and employee benefits	7,736	19,389
Investor and community relations	4,842	890
Insurance	4,451	4,640
Office rent and utilities	-	4,417
Office and administrative	4,008	768
Depreciation	193	256
Interest income	(794)	-
<b>Operating loss before the following items</b>	<b>(112,611)</b>	<b>(35,684)</b>
Unrealized gain (loss) on marketable securities	7,424	(5,966)
Interest and bank charges	(191)	-
(Loss) gain on foreign exchange	(29)	2,855
<b>Comprehensive loss for the period</b>	<b>\$ (105,407)</b>	<b>\$ (38,795)</b>
<b>Basic and diluted net loss per common share (note 8)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of common shares outstanding - basic and diluted (note 8)</b>	<b>32,539,093</b>	<b>9,427,982</b>

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

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

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Three Months Ended  
August 31,  
2016                      2015

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**Operating activities**

Net loss for the period	\$ (105,407)	\$ (38,795)
Adjustments for:		
Depreciation	193	256
Unrealized (gain) loss on marketable securities	(7,424)	5,966
Changes in non-cash working capital items:		
Amounts receivable	(20,544)	(1,490)
Prepaid expenses and deposits	5,968	4,640
Accounts payable and accrued liabilities	34,114	(21,950)
<b>Net cash used in operating activities</b>	<b>(93,100)</b>	<b>(51,373)</b>

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**Investing activity**

Mining interests	(13,531)	-
<b>Net cash used in investing activity</b>	<b>(13,531)</b>	<b>-</b>

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**Financing activities**

Private placement (note 6(b)(i))	1,200,000	-
Share issue costs	(60,243)	-
<b>Net cash provided by financing activities</b>	<b>1,139,757</b>	<b>-</b>

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<b>Net change in cash</b>	<b>1,033,126</b>	<b>(51,373)</b>
<b>Cash, beginning of period</b>	<b>165,889</b>	<b>333,533</b>
<b>Cash, end of period</b>	<b>\$ 1,199,015</b>	<b>\$ 282,160</b>

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

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

Condensed Interim Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

(Unaudited)

	Share Capital		Contributed Surplus	Deficit	Total Equity
	Number of Common Shares	Amount			
<b>Balance, May 31, 2015</b>	<b>9,427,982</b>	<b>\$ 25,689,826</b>	<b>\$ 5,525,837</b>	<b>\$ (30,840,688)</b>	<b>\$ 374,975</b>
Net loss for the period	-	-	-	(38,795)	(38,795)
<b>Balance, August 31, 2015</b>	<b>9,427,982</b>	<b>\$ 25,689,826</b>	<b>\$ 5,525,837</b>	<b>\$ (30,879,483)</b>	<b>\$ 336,180</b>
<b>Balance, May 31, 2016</b>	<b>9,427,982</b>	<b>\$ 25,689,826</b>	<b>\$ 5,525,837</b>	<b>\$ (31,047,903)</b>	<b>\$ 167,760</b>
Common shares issued for private placement (note 6(b)(i))	12,000,000	1,200,000	-	-	1,200,000
Share issue costs	-	(60,243)	-	-	(60,243)
Shares issued to GPM for the Sandy Lake Property (note 5(i))	40,000,000	6,000,000	-	-	6,000,000
Net loss for the period	-	-	-	(105,407)	(105,407)
<b>Balance, August 31, 2016</b>	<b>61,427,982</b>	<b>\$ 32,829,583</b>	<b>\$ 5,525,837</b>	<b>\$ (31,153,310)</b>	<b>\$ 7,202,110</b>

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

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

**Notes to Condensed Interim Financial Statements**

**August 31, 2016**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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## **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. On July 21, 2016, 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 Venture Exchange under the new symbol "SDL" on July 22, 2016.

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 unaudited condensed interim 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 August 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 unaudited condensed interim 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 \$31,153,310 from inception and working capital of \$1,185,194.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of Compliance**

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB.

The policies applied in these unaudited condensed interim financial statements are based on IFRS issued and outstanding as of October 26, 2016, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended May 31, 2016. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending May 31, 2017 could result in restatement of these unaudited condensed interim financial statements.

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

Notes to Condensed Interim Financial Statements

August 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

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## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

## 3. MARKETABLE SECURITIES

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

	Cost	Market value adjustment	Fair market value August 31, 2016	Fair market value May 31, 2016
Crusader Resources Limited - 500,000 common shares	\$ 211,604	\$ (142,521)	\$ 69,083	\$ 61,659

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

Notes to Condensed Interim Financial Statements

August 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

## 4. PROPERTY AND EQUIPMENT

Cost	Office furniture	Equipment	Computer hardware	Computer software	Total
Balance, May 31, 2016 and August 31, 2016	\$ 1,305	\$ 10,992	\$ 8,433	\$ 98,641	\$ 119,371
Accumulated depreciation	Office furniture	Equipment	Computer hardware	Computer software	Total
Balance, May 31, 2016	\$ 998	\$ 7,941	\$ 8,213	\$ 98,641	\$ 115,793
Additions	15	153	25	-	193
Balance, August 31, 2016	\$ 1,013	\$ 8,094	\$ 8,238	\$ 98,641	\$ 115,986
Net book value	Office furniture	Equipment	Computer hardware	Computer software	Total
Balance, May 31, 2016	\$ 307	\$ 3,051	\$ 220	\$ -	\$ 3,578
Balance, August 31, 2016	\$ 292	\$ 2,898	\$ 195	\$ -	\$ 3,385

## 5. MINING INTERESTS

	August 31, 2016	May 31, 2016
<b>Sandy Lake Property (i)</b>		
Balance, beginning of period	\$ -	\$ -
Acquisition costs	6,000,000	-
Consulting	1,839	-
Travel	11,692	-
Additions for the period	6,013,531	-
Balance, end of period	\$ 6,013,531	\$ -

### (i) Sandy Lake Property

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 "Sandy Lake Property").

GPM agreed to sell its interests in the Sandy Lake in consideration of the issuance of 40,000,000 common shares of Sandy Lake valued at \$6,000,000.

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.

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

## Notes to Condensed Interim Financial Statements

August 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

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### 5. MINING INTERESTS (CONTINUED)

(i) Sandy Lake Property (continued)

On July 21, 2016, the Acquisition was completed.

On July 27, 2016, the Company announced that 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") was declared. GPM's rights under the Option Agreement were acquired by Sandy Lake pursuant to the Acquisition on July 21, 2016.

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 work to cease on the Weebigee Project.

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

See note 11(i).

### 6. SHARE CAPITAL

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
<b>Balance, May 31, 2015 and August 31, 2015</b>	<b>9,427,982</b>	<b>\$ 25,689,826</b>
<b>Balance, May 31, 2016</b>	<b>9,427,982</b>	<b>\$ 25,689,826</b>
Common shares issued for private placement (i)	12,000,000	1,200,000
Share issue costs	-	(60,243)
Shares issued to GPM for the Sandy Lake Property (note 5(i))	40,000,000	6,000,000
<b>Balance, August 31, 2016</b>	<b>61,427,982</b>	<b>\$ 32,829,583</b>

(i) On June 14, 2016, the Company a non-brokered private placement pursuant to which it issued 12,000,000 subscription receipts at a price of \$0.10 for aggregate gross proceeds of \$1,200,000 (the "Offering"). Each subscription receipt entitles 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. All securities issued and issuable in the Offering were 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.

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

## Notes to Condensed Interim Financial Statements

August 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

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### 7. 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 (\$)
<b>Balance, May 31, 2015</b>	<b>622,000</b>	<b>4.17</b>
Expired	(95,000)	2.50
<b>Balance, August 31, 2015</b>	<b>527,000</b>	<b>4.47</b>
<b>Balance, May 31, 2016</b>	<b>215,000</b>	<b>4.17</b>
Expired	(25,000)	7.50
<b>Balance, August 31, 2016</b>	<b>190,000</b>	<b>3.73</b>

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

Remaining contractual life (years)	Exercisable options	Number of options	Weighted average exercise price (\$)	Expiry date
0.18	62,000	62,000	5.00	November 3, 2016
0.63	15,000	15,000	4.00	April 17, 2017
1.25	103,000	103,000	3.00	November 29, 2017
1.40	10,000	10,000	3.00	January 25, 2018
0.86	190,000	190,000	3.73	

### 8. NET LOSS PER COMMON SHARE

The calculation of basic and diluted loss per share for the three months ended August 31, 2016 was based on the loss attributable to common shareholders of \$105,407 (three months ended August 31, 2015 - loss of \$38,795) and the weighted average number of common shares outstanding of 32,539,093 (three months ended August 31, 2015 - 9,427,982). Diluted loss did not include the effect of stock options for the three months ended August 31, 2016 and August 31, 2015, as they are anti-dilutive.

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

## Notes to Condensed Interim Financial Statements

August 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

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### 9. RELATED PARTY TRANSACTIONS

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

	Three Months Ended August 31,	
	2016	2015
Marrelli Support Services Inc. ("Marrelli Support") (i)	\$ 7,755	\$ 4,551

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(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-Josée Audet, a senior employee of Marrelli Support, as its Chief Financial Officer. As at August 31, 2016, Marrelli Support was owed \$2,917 (May 31, 2016 - \$2,918). 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:

	Three Months Ended August 31,	
	2016	2015
Salaries and fees	\$ 7,500	\$ 36,489

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### 10. 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 unaudited condensed interim financial statements of comprehensive loss for the periods also represent segmented amounts.

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

### 11. SUBSEQUENT EVENTS

(i) 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 is invalid; and (ii) an order relating to the validity of certain expenses claimed by GPM 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 is advised by GPM that it disputes Goldeye's allegations contained in the Notice, and intends to defend its position accordingly.

On October 14, 2016, the Company was advised by GPM that it responded to Goldeye's Notice.

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

**Notes to Condensed Interim Financial Statements**

**August 31, 2016**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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## **11. SUBSEQUENT EVENTS (CONTINUED)**

(ii) On October 19, 2016, Forbes Gemmell resigned as the President and Chief Executive Officer ("CEO") of Sandy Lake. Daniel Noone, a director of Sandy Lake, was appointed Interim President and CEO until Sandy Lake appoints a replacement.

(iii) On October 19, 2016, Sandy Lake granted an aggregate of 3,800,000 stock options to certain directors, officers, employees and consultants pursuant to the Company's Plan. The options have an exercise price of \$0.15 per share and an expiry date of October 19, 2021, and vesting as to 25% immediately and 25% after each of 6, 12 and 18 months after date of grant.