



SANDY LAKE GOLD INC. **(Formerly Lago Dourado Minerals Ltd.)**

Management's Discussion and Analysis **Fourth Quarter Report 2016** For the year ended May 31, 2016

Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Sandy Lake Gold Inc. (formerly Lago Dourado Minerals Ltd.) ("Sandy Lake" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended May 31, 2016. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited financial statements of the Company for the years ended May 31, 2016 and 2015, together with the notes thereto. All dollar figures are reported in Canadian dollars, unless otherwise specified. The Company's audited annual financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. Information contained herein is presented as of September 22, 2016, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Sandy Lake common shares ("Common Shares"); (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Additional information relating to the Company is available free of charge on the System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com.

Description of Business

Sandy Lake was incorporated as 7177411 Canada Corporation on May 21, 2009 under the laws of Canada. The Company is a Canadian based exploration company focused on the acquisition of mineral exploration projects. The Common Shares are 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.

At May 31, 2016, the Company had a working capital of \$164,182 (May 31, 2015 – \$370,377). The Company had accumulated losses of \$31,047,903 (May 31, 2015 - \$30,840,688) and expects to incur further losses in the development of its business.

While the Company has been successful in securing financing, there is no assurance that it will be able to do so in the future. The Company will require additional financing in order to conduct its planned work programs on mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. Accordingly, the 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's primary source of funding is through the issuance of share capital. When the capital markets are depressed, the Company's activity level would typically be expected to decline accordingly. When capital markets strengthen and the Company is able to secure equity financing with favourable terms, the Company's activity levels and size and scope of planned exploration projects will also increase.

Sale of Brazilian Projects

On July 22, 2014, the Company announced that it had closed on the sale of its Juruena project, located in the State of Mato Grosso, Brazil, to Crusader Resources Limited ("Crusader"). Consideration for the sale was \$650,000 cash and up to 2,000,000 ordinary shares of Crusader ("Crusader Shares") as outlined in further detail below. The sale was approved by an overwhelming majority by Sandy Lake shareholders at the Company's Special Meeting of Shareholders held on June 25, 2014.

As per the sale agreement, share consideration of up to 2,000,000 Crusader Shares are issuable as follows and are subject to a voluntary escrow of 12 months from completion:

- 500,000 Crusader Shares upon completion of the transaction (issued); and
- 750,000 Crusader Shares upon definition of a gold resource of at least 400,000 ounces greater than 10g/t Au in the indicated category within 5 years of completion; and
- 750,000 Crusader Shares upon gold production at an annual rate of at least 20,000 ounces of gold over a 90 day period within 5 years of completion.

The Company estimated the value of the 500,000 Crusader Shares due on closing at \$211,604 based on Crusader's share price on July 22, 2014 but did not assign any value to the remaining 1,500,000 shares given the uncertainty in achieving the target thresholds. The value of the issued shares has subsequently been written down to \$61,659 to reflect a reduction in Crusader's share price.

As part of the sale to Crusader, 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 resulting in a gain of \$170,915.

The sale to Crusader also included the Novo Astro target, an earlier stage property that is located 25km along trend from Juruena. Refer to Crusader's website for more details: www.crusaderresources.com

Overall Performance

During the year ended May 31, 2016, the Company earned no revenue and reported a loss of \$207,215 with basic and diluted loss per share of \$0.02. This compares to income of \$207,762 for the year ended May 31, 2015 with basic and diluted income per share of \$0.02. On an ongoing basis, the Company will review and evaluate new opportunities to acquire other mineral properties.

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 property interests in the Sandy Lake district, Northwestern Ontario (see "Subsequent Events").

On June 14, 2016, the Company closed a 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") (see "Subsequent Events").

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

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

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 giving effect to the name change commenced trading on the TSX-V under the new symbol "SDL" on July 22, 2016.

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On July 27, 2016, the Company announced that it declared an event of force majeure under the option agreement between GPM and Goldeye Exploration Limited ("Goldeye") dated April 15, 2015 relating to the property known as the Weebigee Project ("Option Agreement") (see "Subsequent Events").

On September 22, 2016, the Company announced that it received a formal notice of arbitration (the "Notice") pursuant to the Option Agreement (see "Subsequent Events") which demands arbitration concerning, among other things, the dispute regarding 1,421 claim unit known as the East Block that were staked by GPM surrounding the Weebigee Project (the "Additional Interest").

Outlook

Moving forward, Sandy Lake will be focused on advancing its properties in the Sandy Lake district including the Weebigee Project. Given the recent declaration an event of force majeure it will be necessary for Sandy Lake to engage in appropriate consultations with local First Nations with the assistance of the Government of Ontario before Sandy Lake can resume work on the Weebigee Project.

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

Trends

Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in both short-term operating and longer-term strategic decisions. In 2016, equity markets in the junior resource sector, particularly the TSX-V, showed signs of improvement, with mining equity values increasing significantly during this period. Strong equity markets generally provide favourable conditions for completing a public merger, financing or acquisition transaction.

Apart from these and the risk factors noted under the heading "Risk Factors" and "Cautionary Note Regarding Forward-Looking Information", management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations.

Capital Resources

The Company does not have operations that generate cash flow and its long term financial success is dependent on management's ability to discover and develop economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control.

In order to fund the Company's exploration and development programs and to cover administrative and overhead expenses, the Company raises money through equity sales and from the exercise of stock options and warrants. Although the Company has been successful in the past in obtaining financing to fund its exploration activities, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, the Company's track record and the experience and calibre of its management.

The Company currently has sufficient financial resources to maintain operations for approximately the next 12 months but cautions that there are significant risks, which are beyond the control of management, related to potential adverse capital market conditions for small early stage exploration companies that occur from time to time.

Selected Annual Information

The following table summarizes selected financial data of the Company for the three most recently completed financial years. The information set forth below should be read in conjunction with the audited financial statements, prepared in accordance with the IFRS and related notes.

	Year ended May 31, 2016	Year ended May 31, 2015	Year ended May 31, 2014
Total revenues	\$nil	\$7	\$852
Total (loss) income	\$(207,215)	\$207,762	\$(7,136,095)
Net (loss) income per share – basic	\$(0.02)	\$0.02	\$(0.76)
Net (loss) income per share – diluted	\$(0.02)	\$0.02	\$(0.76)
	As at May 31, 2016	As at May 31, 2015	As at May 31, 2014
Total assets	\$242,328	\$430,726	\$1,096,871
Total non-current financial liabilities	\$nil	\$nil	\$nil
Distribution of cash dividends	\$nil	\$nil	\$nil

- The net loss for the year ended May 31, 2016, consisted primarily of (i) professional fees of \$112,105; (ii) wages and employee benefits of \$32,575; (iii) unrealized loss on marketable securities of \$14,717; and (iv) other working capital expenditures incurred to maintain the operations of the Company.
- The net income for the year ended May 31, 2015, consisted primarily of (i) professional fees of \$90,972; (ii) wages and employee benefits of \$218,694; (iii) unrealized loss on marketable securities of \$135,228; (iv) gain on disposal of subsidiaries of \$170,915; (v) reclassification on sale of foreign subsidiaries of \$594,652; and (vi) other working capital expenditures incurred to maintain the operations of the Company.
- The net loss for the year ended May 31, 2014, consisted primarily of (i) professional fees of \$233,415; (ii) wages and employee benefits of \$295,234; (iii) stock-based compensation of \$82,163; (iv) impairment of mining interests of \$5,533,678; (v) exploration activities of \$886,336; and (vi) other working capital expenditures incurred to maintain the operations of the Company.
- As the Company has no recurring revenue, its ability to fund its operations is dependent upon securing financing. See "Trends" above and "Risk Factors" below.

Selected Quarterly Information

The following table sets out selected unaudited quarterly financial information of the Company and is derived from unaudited quarterly financial statements prepared by management in accordance with IFRS.

Three Months Ended	Total Revenue (\$)	Profit or Loss	
		Total (\$)	Basic and Diluted (Loss) Income Per Share (\$) ⁽¹⁾⁽²⁾
2016-May 31	-	(111,996)	(0.01)
2016-February 29	-	(41,044)	(0.00)
2015-November 30	-	(15,380)	(0.00)
2015-August 31	-	(38,795)	(0.00)
2015-May 31	-	466,180	0.05
2015-February 28	-	(80,867)	(0.01)
2014-November 30	-	(226,790)	(0.02)
2014-August 31	-	49,239	0.01

- (1) On April 1, 2015, the Company completed the consolidation of its issued and outstanding common shares on the basis of one post-consolidated Common Share for ten pre-consolidated common shares. All applicable references to the number of shares, warrants and stock options and their exercise price and per share information have been restated.
- (2) Per share amounts are rounded to the nearest cent, therefore aggregating quarterly amounts may not reconcile to year-to-date per share amounts.

Another factor that affects the Company's reported quarterly results are reductions in the carrying value of the Company's mineral properties as the result of impairments. The carrying values of the Company's mineral properties are reviewed for potential impairment when circumstances indicate that a potential impairment exists. The size and timing of these impairments can significantly affect the Company's quarterly financial results and cannot be predicted.

Discussion of Operations

Three months ended May 31, 2016, compared with three months ended May 31, 2015

The Company's net loss totaled \$111,996 for the three months ended May 31, 2016, with basic and diluted loss per share of \$0.01. This compares with a net income of \$466,180 with basic and diluted income per share of \$0.05 for the three months ended May 31, 2015. The increase in net loss of \$578,176 was principally due to the following:

- Professional fees increased to \$85,559 for the three months ended May 31, 2016 (three months ended May 31, 2015 - \$10,595). The increase was primarily due to increased need for professional fees for the Acquisition from GPM during the current period.
- Unrealized loss on marketable securities decreased to \$1,203 during the three months ended May 31, 2016 (three months ended May 31, 2015 – loss of \$40,828). With the sale of the Company's foreign subsidiaries during fiscal 2014, the Company received 500,000 Crusader Shares. The 500,000 Crusader Shares were valued at \$62,862 using the closing share price on

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February 29, 2016 and were written down to \$61,659 to reflect a decrease in Crusader's share price as at May 31, 2016.

- During the three months ended May 31, 2016, wages and employee benefits decreased to \$7,828 compared to \$50,353 for the comparable period. The decrease of \$42,525 was primarily due to conversion of the employment contract of the Chief Executive Officer ("CEO") to a consulting agreement at a significantly reduced compensation.
- During the three months ended May 31, 2016, office rent and utilities decreased by \$6,399 compared to the three months ended May 31, 2015. The decrease is a result of the Company's cost saving initiatives.
- Reclassification on sale of foreign subsidiaries of \$nil was recorded during the three months ended May 31, 2016 (three months ended May 31, 2015 - \$594,652). The reclassification recorded in the comparative period was due to the sale of foreign subsidiaries. The balance was the total effect of translation to presentation currency accumulated during the prior years.
- All other expenses related to general working capital.

Year ended May 31, 2016, compared with year ended May 31, 2015

The Company's net loss totaled \$207,215 for the year ended May 31, 2016, with basic and diluted loss per share of \$0.02. This compares with a net income of \$207,762 with basic and diluted income per share of \$0.02 for the year ended May 31, 2015. The increase in net loss of \$414,977 was principally due to the following:

- During the year ended May 31, 2016, the gain on disposal of subsidiaries was \$nil compared to \$170,915 for the year ended May 31, 2015. The decrease is due to the sale of the Company's subsidiaries during the year ended May 31, 2015.
- Professional fees increased to \$112,105 for the year ended May 31, 2016 (year ended May 31, 2015 - \$90,972). The increase was primarily due to increased need for professional fees for the Acquisition from GPM during the current period.
- Unrealized loss on marketable securities decreased to \$14,717 during the year ended May 31, 2016 (year ended May 31, 2015 - \$135,228). With the sale of the Company's foreign subsidiaries during the year ended May 31, 2015, the Company received 500,000 Crusader Shares. The 500,000 Crusader Shares were valued at \$76,376 using the closing share price on May 31, 2015 and were written down to \$61,659 to reflect a reduction in Crusader's share price as at May 31, 2016.
- During the year ended May 31, 2016, wages and employee benefits decreased to \$32,575 compared to \$218,694 for the comparable period. The decrease of \$186,119 was primarily due to conversion of the employment contract of the CEO to a consulting agreement at a significantly reduced compensation.
- During the year ended May 31, 2016, office rent and utilities decreased by \$30,970 compared to the year ended May 31, 2015. The decrease is a result of the Company's cost saving initiatives.
- Reclassification on sale of foreign subsidiaries of \$nil was recorded during the year ended May 31, 2016 (year ended May 31, 2015 - \$594,652). The reclassification recorded in the comparative period was due to the sale of foreign subsidiaries. The balance was the total effect of translation to presentation currency accumulated during the prior years.
- All other expenses related to general working capital.

Liquidity and Financial Position

The activities of the Company, principally the acquisition, exploration, and development of properties prospective for base and precious minerals, are financed through the completion of equity transactions such as equity offerings and the exercise of stock options and warrants. No options or warrants were exercised during the fiscal year ended May 31, 2016. The Company completed the Offering of

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\$1,200,000 on June 14, 2016. There is no assurance that future equity capital will be available to the Company in the amounts or at the times desired by the Company or on terms that are acceptable to it, if at all. See "Cautionary Note Regarding Forward-looking Statements".

As at May 31, 2016, the Company had a working capital of \$164,182 (May 31, 2015 – working capital of \$370,377). The Company's continuing operations are dependent on its ability to secure equity and/or debt financing, with which it intends to identify, evaluate and acquire interests in mineral properties. The circumstances that could affect the Company's ability to secure equity and/or debt financing that are reasonably likely to occur are, without limitation, as follows:

- the state of capital markets generally;
- the prevailing market prices for base and precious minerals;
- changes in laws, regulations and political conditions.

Future exploration expenditure on the Company's Weebigee Project will be dependent on the lifting of the force majeure declaration and event on July 27, 2016, and successful resolution of the arbitration which is the subject of the Notice.

The Company's primary source of funding is through the issuance of share capital. When the capital markets are depressed, the Company's activity level would typically be expected to decline accordingly. When capital markets strengthen and the Company is able to secure equity financing with favourable terms, the Company's activity levels and size and scope of planned exploration projects will also increase.

Off-Balance-Sheet Arrangements

As of the date of this MD&A, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

Proposed Transactions

There are no proposed transactions of a material nature being considered by the Company. The Company continues to evaluate properties and corporate entities that it may acquire in the future.

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	nil
	28,327	nil

(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

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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		
Forbes Gemmell, CEO (i)	16,919	210,819
Paul D'Aloisio, former Chief Financial Officer	nil	30,509
Daniel Noone, Director	5,219	nil
Jon Douglas, Director	5,219	nil
Michelle McCarthy, Director	5,218	nil
	32,575	241,328

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

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.

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.

Financial Instruments and Risk Factors

The Company's risk management activities include the preservation 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.

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(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 obligation. 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 Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company is not exposed to foreign currency risk.

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.

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The Company's marketable securities are subject to fair value fluctuations arising from changes in the equity markets and currently 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.

Share Capital

As at the date of this MD&A, the Company had a total of 61,427,982 Common Shares issued and outstanding, inclusive of an aggregate of 40,000,000 Common Shares that were issued to GPM pursuant to the Acquisition.

As at the date of this MD&A, an aggregate of 190,000 stock options are outstanding, all of which have vested. Each stock option entitles the holder to acquire one Common Share in accordance with the terms thereof.

Changes in Accounting Policies

There have been no changes to accounting policies during the year ended May 31, 2016.

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.

Risk Factors

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

The Company's business of mineral exploration has a high level of inherent risk associated with it. The Company's exploration activities may also be affected by changes in environmental and other governmental regulation.

The financial condition of the Company is influenced by a number of market risks. Fluctuations in market prices, foreign exchange rates and unit costs of production are the most significant risks experienced by the Company.

The Company purchases insurance to mitigate losses that may arise from certain liability and property risks. The cost of this insurance and the specific protection provided by the policies will vary from year to year depending on the conditions in the insurance market. The Company believes that the insurance program it has in place continues to prudently address its major liability and property risk exposures in the ordinary course of business.

Risks associated with operations are numerous and include environmental pollution, accidents or spills, industrial and transportation accidents, labour disputes, blockades, changes in regulatory environment, natural phenomena and unexpected geological conditions. Many of the foregoing risks and hazards could result in damage to, or destruction of the Company's mineral properties, personal injury or death, environmental damage, delays in or interruption of or cessation of production in its exploration or development activities.

The Company is subject to litigation risks. All industries, including the mining industry, are subject to legal claims, with and without merit. Defence and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which the Company is or may become subject could have a material effect on its financial position, results of operations or the Company's mining and project development operations. In particular, the Company recently received the Notice of arbitration relating to the Weebigee Project, demanding arbitration concerning, among other things, Goldeye's contention that the Additional Interest had become part of the Weebigee Project and/or subject to a 50/50 joint venture between GPM and Goldeye. See "Subsequent Events". 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. The Notice alleges that any failure to satisfy these exploration expenditures would result in the termination of the Option Agreement, subject to the right of

Sandy Lake to cure any deficiency by making a cash payment to Goldeye in an amount equal to the shortfall, all in accordance with the terms of the Option Agreement. The Company disputes Goldeye's allegations contained in the Notice, and intends to defend its position accordingly. However, in the event that the arbitration or any related actions are resolved in favour of Goldeye, the Company's interest or its right to earn any interest in the Weebigee Project and/or the Additional Interest could be materially adversely affected.

The Company is subject to normal worker health, safety and environmental risks associated with its mining and exploration operations. The Board of Directors will oversee the health and safety of the Company's operations in order to mitigate potential hazards and optimize the health and safety of employees, contractors and the public in general. Operational changes are increasingly subject to regulatory approval that may include delays due to longer and more complex regulatory review and approval process. These increasing requirements are expected to continue to result in higher administration costs and capital expenditures for compliance.

First Nations in Ontario are increasingly making lands and rights claims in respect of existing and prospective resource projects on lands asserted to be First Nation traditional or treaty lands. Should a First Nation make such a claim in respect of the properties and should such claim be resolved by government or the courts in favour of the First Nation, it could materially adversely affect the business of the Company. In addition, consultation issues relating to First Nation interests and rights may impact the Company's ability to pursue exploration, development and mining at its projects and could result in costs and delays or materially restrict the Company's activities.

Disclosure Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the years presented by the financial statements; and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the years presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Company uses the Venture Issuer Basic Certificate, which does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS). The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

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Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Caution Regarding Forward-looking Statements

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Forward-looking statements	Assumptions	Risk factors
Potential of the Company's properties to contain economic deposits of any mineral discovered	Financing will be available for future exploration and development of the Company's properties; the actual results of the Company's exploration and development activities will be favourable; operating, exploration and development costs will not exceed the Company's expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company, and applicable political and economic conditions are favourable to the Company; the price of applicable minerals and applicable interest and exchange rates will be favourable to the Company; no title disputes exist with to the Company's properties	Price volatility of any mineral discovered; uncertainties involved in interpreting geological data and confirming title to, and interests in, properties; the possibility that future exploration results will not be consistent with the Company's expectations; availability of financing for and actual results of the Company's exploration and development activities; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff; availability of permits
While the Company has no source of revenue, it believes it has sufficient cash resources to meet its administrative	The operating activities of the Company for the next twelve months and beyond, starting from May 31, 2016, and the costs	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; changes in the operations

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<p>overhead for the twelve months, starting from May 31, 2016, depending on future events</p> <p>The Company expects to incur further losses in the development of its business</p>	<p>associated therewith, will be consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to the Company</p>	<p>currently planned for 2017; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions</p>
<p>The Company's ability to carry out anticipated exploration and maintenance on its property interests and its anticipated use of cash</p>	<p>The exploration and maintenance activities of the Company for the year ended May 31, 2017, and the costs associated therewith, will be consistent with the Company's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to the Company; satisfactory resolution of force majeure and arbitration matters concerning the Weebigee Project</p>	<p>Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; changes in the operations currently planned for 2017; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions; receipt of applicable permits; uncertainties relating to applicable First Nations matters and arbitration concerning the Weebigee Project</p>
<p>Plans, costs, timing and capital for future exploration and development of the Company's property interests, including the costs and potential impact of complying with existing and proposed laws and regulations</p>	<p>Financing will be available for the Company's exploration and development activities and the results thereof will be favourable; actual operating and exploration costs will be consistent with the Company's current expectations; the Company will be able to retain and attract skilled staff; all applicable regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to the Company; the Company will not be adversely affected by market competition; debt and equity markets, exchange and interest rates and other applicable economic and political conditions are favourable to the Company; the price of any applicable mineral will be favourable to the Company; no title disputes exist with respect to the Company's properties; satisfactory resolution of force majeure and arbitration matters concerning the Weebigee Project</p>	<p>Price volatility of any mineral discovered, changes in debt and equity markets; timing and availability of external financing on acceptable terms; the uncertainties involved in interpreting geological data and confirming title to acquired properties; the possibility that future exploration results will not be consistent with the Company's expectations; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff; availability of permits; market competition; uncertainties relating to applicable First Nations matters and arbitration concerning the Weebigee Project</p>

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Management's outlook regarding future trends, including the future price of any mineral discovered and availability of future financing	Financing will be available for the Company's exploration and operating activities; the price of applicable minerals will be favourable to the Company	Price volatility of any mineral discovered; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions; availability of financing
Prices and price volatility for any mineral discovered	The price of any mineral discovered will be favourable; debt and equity markets, interest and exchange rates and other economic factors which may impact the price of any mineral discovered will be favourable	Changes in debt and equity markets and the spot price of any mineral discovered, if available; interest rate and exchange rate fluctuations; changes in economic and political conditions
Consultations with local First Nations for the Weebigee Project	The Company will engage appropriate consultations with local First Nations with the assistance of the Government of Ontario which will result in the Company resuming work on the Weebigee Project	Consultations with local First Nations will not result in the Company resuming work on the Weebigee Project or will result in significant additional costs to resume work on the Weebigee Project

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Sandy Lake's ability to predict or control. Please also make reference to those risk factors referenced in the "Risk Factors" section above. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Sandy Lake's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Subsequent Events

(i) On May 16, 2016, the Company and GPM entered into a definitive agreement governing 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 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 Share Distribution was effected on September 16, 2016. Following the closing of the Acquisition, the Board of Directors of Sandy Lake was

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reconstituted to 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 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 the Option Agreement. 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 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 Offering 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. 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, 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.

(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. 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 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 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

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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.