
SANDY LAKE GOLD INC.
CONDENSED INTERIM FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED
NOVEMBER 30, 2017
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

Notice to Reader

The accompanying unaudited condensed interim financial statements of Sandy Lake Gold Inc. (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.

SANDY LAKE GOLD INC.**Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)**

	As at November 30, 2017 (Unaudited)	As at May 31, 2017 (Audited)
ASSETS		
Current assets		
Cash	\$ 491,587	\$ 364,834
Marketable securities (note 3)	43,907	60,240
Amounts receivable	70,785	73,705
Prepaid expenses and deposits	205,431	17,094
Total current assets	811,710	515,873
Non-current assets		
Mining interests (note 4)	7,214,608	6,710,072
Total non-current assets	7,214,608	6,710,072
Total assets	\$ 8,026,318	\$ 7,225,945
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	\$ 130,350	\$ 273,321
Total liabilities	130,350	273,321
Shareholders' equity		
Share capital (note 5)	33,089,380	32,829,583
Special Warrants (note 6)	625,000	-
Warrants (note 7)	251,000	-
Contributed surplus	6,040,614	5,941,332
Deficit	(32,110,026)	(31,818,291)
Total shareholders' equity	7,895,968	6,952,624
Total liabilities and shareholders' equity	\$ 8,026,318	\$ 7,225,945

Nature of Operations and Going Concern (note 1)

Subsequent Events (note 12)

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

SANDY LAKE GOLD INC.

Condensed Interim Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended November 30,		Six Months Ended November 30,	
	2017	2016	2017	2016
Operating expenses				
Share-based compensation	\$ 41,688	\$ 177,988	\$ 99,282	\$ 177,988
Wages and employee benefits	26,442	15,056	41,629	22,792
Professional fees	26,844	30,854	34,967	93,670
Transfer agent and filing fees	26,885	13,860	34,783	33,219
Consulting fees	11,850	12,750	30,656	12,750
Office rent and utilities	8,490	2,838	14,699	6,228
Insurance	2,996	7,280	6,197	11,731
Donation	-	-	5,000	10,000
Office and administrative	1,035	926	3,062	1,544
Investor and community relations	900	8,911	2,024	13,753
Depreciation	-	-	-	193
Interest income	(168)	-	(176)	(794)
Operating loss before the following items	(146,962)	(270,463)	(272,123)	(383,074)
Unrealized loss on marketable securities (note 3)	(15,679)	(9,587)	(16,333)	(2,163)
Gain (loss) on foreign exchange	1,021	1,146	(2,387)	1,117
Interest and bank charges	(225)	(675)	(892)	(866)
Impairment of property and equipment	-	(3,385)	-	(3,385)
Comprehensive loss for the period	\$ (161,845)	\$ (282,964)	\$ (291,735)	\$ (388,371)
Basic and diluted net loss per common share (note 9)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted (note 9)	69,350,746	61,427,982	67,180,048	47,246,164

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

SANDY LAKE GOLD INC.

Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended November 30,		Six Months Ended November 30,	
	2017	2016	2017	2016
Operating activities				
Net loss for the period	\$ (161,845)	\$ (282,964)	\$ (291,735)	\$ (388,371)
Adjustments for:				
Depreciation	-	-	-	193
Share-based compensation	41,688	177,988	99,282	177,988
Unrealized loss on marketable securities	15,679	9,587	16,333	2,163
Impairment of property and equipment	-	3,385	-	3,385
Changes in non-cash working capital items:				
Amounts receivable	24,763	(22,500)	2,920	(43,044)
Prepaid expenses and deposits	(182,385)	(4,219)	(188,337)	1,749
Accounts payable and accrued liabilities	69,152	(39,638)	(142,971)	(5,524)
Net cash used in operating activities	(192,948)	(158,361)	(504,508)	(251,461)
Investing activity				
Mining interests	(259,287)	(65,776)	(504,536)	(79,307)
Net cash used in investing activity	(259,287)	(65,776)	(504,536)	(79,307)
Financing activities				
Private placements (note 5(b)(ii)(iii))	400,000	-	1,150,000	1,200,000
Share issue costs	(13,203)	-	(14,203)	(60,243)
Net cash provided by financing activities	386,797	-	1,135,797	1,139,757
Net change in cash	(65,438)	(224,137)	126,753	808,989
Cash, beginning of period	557,025	1,199,015	364,834	165,889
Cash, end of period	\$ 491,587	\$ 974,878	\$ 491,587	\$ 974,878

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

SANDY LAKE GOLD INC.

Condensed Interim Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Share Capital		Special Warrants	Warrants	Contributed Surplus	Deficit	Total Equity
	Number of Common Shares	Amount					
Balance, May 31, 2016	9,427,982	\$ 25,689,826	\$ -	\$ -	\$ 5,525,837	\$ (31,047,903)	\$ 167,760
Common shares issued for private placement (note 5(b)(i))	12,000,000	1,200,000	-	-	-	-	1,200,000
Share issues costs	-	(60,243)	-	-	-	-	(60,243)
Shares issued to GPM for the Sandy Lake Property (note 4)	40,000,000	6,000,000	-	-	-	-	6,000,000
Share-based compensation	-	-	-	-	177,988	-	177,988
Net loss for the period	-	-	-	-	-	(388,371)	(388,371)
Balance, November 30, 2016	61,427,982	\$ 32,829,583	\$ -	\$ -	\$ 5,703,825	\$ (31,436,274)	\$ 7,097,134
Balance, May 31, 2017	61,427,982	\$ 32,829,583	\$ -	\$ -	\$ 5,941,332	\$ (31,818,291)	\$ 6,952,624
Units issued for private placements (note 5(b)(ii)(iii))	10,500,000	274,000	-	251,000	-	-	525,000
Share issue costs	-	(14,203)	-	-	-	-	(14,203)
Special Warrants issued for private placements (note 5(b)(ii)(iii))	-	-	625,000	-	-	-	625,000
Share-based compensation	-	-	-	-	99,282	-	99,282
Net loss for the period	-	-	-	-	-	(291,735)	(291,735)
Balance, November 30, 2017	71,927,982	\$ 33,089,380	\$ 625,000	\$ 251,000	\$ 6,040,614	\$ (32,110,026)	\$ 7,895,968

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

SANDY LAKE GOLD INC.

Notes to Condensed Interim Financial Statements

November 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Sandy Lake Gold Inc. (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 ("TSX-V") under the new symbol "SDL" on July 22, 2016. On November 4, 2016, the stock symbol of Sandy Lake was changed "SLAU".

The head office, principal address and records office of the Company are located at 141 Adelaide Street West, Suite 1101, 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 November 30, 2017. 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 \$32,110,026 from inception and working capital of \$681,360.

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 January 19, 2018, 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 financial statements as at and for the year ended May 31, 2017. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending May 31, 2018 could result in restatement of these unaudited condensed interim financial statements.

SANDY LAKE GOLD INC.

Notes to Condensed Interim Financial Statements

November 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

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 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	Fair market value May 31, 2017	Fair market adjustment	Fair market value November 30, 2017
Crusader Resources Ltd. - 500,000 common shares	\$ 211,604	\$ 60,240	\$ (16,333)	\$ 43,907

SANDY LAKE GOLD INC.

Notes to Condensed Interim Financial Statements

November 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

4. MINING INTERESTS

	Three Months Ended November 30, 2017	Six Months Ended November 30, 2017	Year Ended May 31, 2017
Sandy Lake Property			
Balance, beginning of period	\$ 6,955,321	\$ 6,710,072	\$ -
Acquisition costs	-	-	6,150,000
Assay	-	-	98
Consulting	700	700	4,774
Donations	-	5,000	6,000
Geology	38,063	38,063	28,599
Legal	202,576	422,163	454,984
Other	2,601	4,094	7,653
Transportation	10,570	23,091	50,309
Travel	4,617	11,265	7,280
Wages and salaries	160	160	375
Additions for the period	259,287	504,536	6,710,072
Balance, end of period	\$ 7,214,608	\$ 7,214,608	\$ 6,710,072

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") which are subject to a 1% net smelter returns royalty. In addition, in order to earn up to a 70% interest in the Weebigee Project, the Company is required to complete the following as per the Option Agreement (as defined below):

To exercise the right and option to earn an undivided 50.1% interest ("50.1% Option"):

- make payment of \$50,000 (paid by GPM) in cash and issue such number of common shares to Goldeye Explorations Limited ("Goldeye") as shall have an aggregate fair market value of \$25,000 (issued by GPM);
- make three additional cash payments of an aggregate total of \$500,000 to Goldeye over 3 years (\$100,000 paid by GPM and \$150,000 paid by Sandy Lake); and
- complete expenditures on the Weebigee Project of an aggregate total of \$5,000,000 over 4 years.

To exercise the right and option to acquire a further 19.9% interest ("70% Option"):

- deliver feasibility study to Goldeye on or prior to the date which is five years following the date upon which Sandy Lake exercise the 50.1% Option; or
- make cash payments to Goldeye and complete exploration expenditures on the Weebigee Project as follows:
 - a) three cash payments to Goldeye of an aggregate total of \$1,500,000 over 2 years;
 - b) complete expenditures on the Weebigee Project of \$1,000,000 prior to the 1st anniversary of the 70% Option notice date;
 - c) complete additional expenditures on the Weebigee Project of \$2,000,000 prior to the 2nd anniversary of the 70% Option notice date.

SANDY LAKE GOLD INC.

Notes to Condensed Interim Financial Statements

November 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

4. MINING INTERESTS (CONTINUED)

Sandy Lake Property (continued)

Failure by the Company to meet such requirements can result in a reduction or loss of the Company's ownership interests under the Acquisition.

In the event that Sandy Lake exercises the 50.1% Option and/or the 70% Option, Sandy Lake and Goldeye shall be deemed to have formed a new joint venture and shall enter into and deliver a Joint Venture Agreement, which shall govern their relationship in respect of the Weebigee Project. Sandy Lake will be the operator of the Weebigee Project during the term of the option and the manager of the Weebigee Project following the formation of the joint venture. Under the Joint Venture Agreement, Sandy Lake and Goldeye will be required to contribute their pro rata share of further expenditures on the Weebigee Project based on their respective percentage interest in the joint venture from time to time on standard industry terms.

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. The Company has accounted for the acquisition as an asset as the asset is not a business.

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 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.

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 resulted from the positions taken by local First Nations and subsequent discussions with the Government of Ontario, which rendered it necessary for the Company to cease all work on the Sandy Lake Project, including the Weebigee Project.

It will be necessary to engage in appropriate consultation with the local First Nations and with the Government of Ontario in order for work to resume on the Weebigee Project.

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.

SANDY LAKE GOLD INC.

Notes to Condensed Interim Financial Statements

November 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

4. MINING INTERESTS (CONTINUED)

Sandy Lake Property (continued)

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 complete the exercise of its option to acquire the Additional Interest or make the required payment to GPM of its share of the costs of acquiring the Additional Interest prior to the required date, 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) a determination that the previously announced event of force majeure does not constitute an event of force majeure under the Option Agreement; and (ii) a determination 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 was advised by GPM that it disputes Goldeye's allegations contained in the Notice, and Sandy Lake has defended Goldeye's arbitration claims accordingly.

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

On May 8, 2017, the Company received a notice of default pursuant to the Option Agreement. The notice of default alleges that the Company is in default of the Option Agreement as a result of failing to make a cash payment of \$150,000 thereunder on or prior to May 5, 2017. As per the notice of default, the Company has 30 days from May 8, 2017 to make the payment. The Company paid the \$150,000 on May 24, 2017.

In addition, Goldeye provided notice that it is seeking to elect to have four mineral claims recently staked by the Company included as part of the property governed by the Option Agreement.

On September 22, 2017, the Company announced the Arbitral tribunal's decision with regard to the May 8, 2017 hearing on the event of force majeure found that:

- a) a force majeure event under the Option Agreement occurred and was declared on July 27, 2016;
- b) the force majeure event existed continuously, without change, until June 7, 2017;
- c) the force majeure event was not within the control of Sandy Lake; and
- d) the failure of Sandy Lake to comply with its obligations under the Option Agreement to incur the required exploration work expenditures of \$1,000,000 by April 15, 2017 was caused by, or arose out of, the force majeure event.

There were a number of findings in the reasons for the award that will assist the Company as it manages its operations, including that (a) Sandy Lake can unilaterally communicate and manage the issues on site with the First Nations; and (b) Goldeye has no basis under the Option Agreement to control or direct any of Sandy Lake's exploration work. It will be necessary to engage in appropriate consultation with the local First Nations and with the Government of Ontario in order for work to resume on the Weebigee Project.

The Arbitration is scheduled to resume hearings in January and February of 2018 on the remaining matters.

Future exploration expenditure on the Company's Weebigee Project will be carried out in a manner consistent with the order of the Arbitration panel as described above, the successful determination or resolution of the remaining issues in the arbitration which is the subject of the Notice and upon successful ongoing consultation with the First Nations, as required.

SANDY LAKE GOLD INC.

Notes to Condensed Interim Financial Statements

November 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

5. 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
Balance, May 31, 2016	9,427,982	\$ 25,689,826
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 4)	40,000,000	6,000,000
Balance, November 30, 2016	61,427,982	\$ 32,829,583
Balance, May 31, 2017	61,427,982	\$ 32,829,583
Common shares issued for private placements (ii)(iii)	10,500,000	525,000
Warrants (ii)(iii)	-	(251,000)
Share issue costs	-	(14,203)
Balance, November 30, 2017	71,927,982	\$ 33,089,380

(i) On June 14, 2016, the Company completed 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.

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.

(ii) On July 19, 2017, the Company closed a non-brokered private placement pursuant to which it issued 7,500,000 units ("Units") and 7,500,000 special warrants ("Special Warrants") at a price of \$0.05 per Unit and \$0.05 per Special Warrant to raise aggregate gross proceeds of \$750,000.

Each Unit consists of one common share of the Company and one share purchase warrant (a "Warrant"), with each Warrant entitling the holder thereof to acquire one additional share at an exercise price of \$0.10 for a period of 24 months. The fair value of these Warrants was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: share price of \$0.055; expected dividend yield of 0%; risk-free interest rate of 1.27%; volatility of 207% and an expected life of 2 years. The fair value assigned to these warrants was \$177,000.

Mr. Patrick Sheridan purchased 7,500,000 Special Warrants in the private placement. Each Special Warrant will automatically convert into one Unit without any additional payment or action by the holder on the date upon which the Company receives shareholder approval for Mr. Sheridan and his associates to become "control persons" of the Company (within the meaning of the regulations of the TSX-V). The Company proposes to seek such shareholder approval at its next annual meeting of shareholders, by ordinary resolution of the disinterested shareholders. In the event that such shareholder approval is not approved at the Company's next annual shareholders meeting, the Special Warrants shall automatically convert into a loan repayable to Mr. Sheridan on demand, bearing interest at a rate of 8% per annum.

SANDY LAKE GOLD INC.

Notes to Condensed Interim Financial Statements

November 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

5. SHARE CAPITAL (CONTINUED)

b) Common shares issued (continued)

(ii) (continued) The following transactions occurred with related parties:

- Michele McCarthy, Chair of the Company, subscribed for 500,000 Units;
- Daniel Noone, Chief Executive Officer and director of the Company, subscribed for 1,000,000 Units; and
- Jon Douglas, director of the Company, subscribed for 100,000 Units.

(iii) On November 17, 2017, the Company closed a non-brokered private placement pursuant to which it issued 3,000,000 Units and 5,000,000 Special Warrants to raise aggregate gross proceeds of \$400,000.

Each Unit consists of one common share of the Company and one Warrant, with each Warrant entitling the holder thereof to acquire one additional share at an exercise price of \$0.10 for a period of 24 months. The fair value of these Warrants was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: share price of \$0.06; expected dividend yield of 0%; risk-free interest rate of 1.45%; volatility of 209% and an expected life of 2 years. The fair value assigned to these warrants was \$74,000.

Mr. Patrick Sheridan purchased 5,000,000 Special Warrants in the private placement.

The following transactions occurred with related parties:

- Michele McCarthy, Chair of the Company, subscribed for 100,000 Units; and
- Daniel Noone, Chief Executive Officer and director of the Company, subscribed for 400,000 Units.

All of the securities issued and issuable in the non-brokered private placement are subject to a statutory hold period expiring on March 18, 2018.

6. SPECIAL WARRANTS

The following table reflects the continuity of Special Warrants for the following periods:

	Number of Special Warrants	Amount
Balance, May 31, 2016 and November 30, 2016	-	\$ -
Balance, May 31, 2017	-	\$ -
Issued (note 5(b)(ii)(iii))	12,500,000	625,000
Balance, November 30, 2017	12,500,000	\$ 625,000

7. WARRANTS

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

	Number of warrants	Weighted average exercise price (\$)
Balance, May 31, 2016 and November 30, 2016	-	-
Balance, May 31, 2017	-	-
Issued (note 5(b)(ii)(iii))	10,500,000	0.10
Balance, November 30, 2017	10,500,000	0.10

SANDY LAKE GOLD INC.

Notes to Condensed Interim Financial Statements

November 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

7. WARRANTS (CONTINUED)

The following table reflects the warrants issued and outstanding as of November 30, 2017:

Number of warrants outstanding	Fair value (\$)	Exercise price (\$)	Expiry date
7,500,000	177,000	0.10	July 19, 2019
3,000,000	74,000	0.10	November 17, 2019
10,500,000	251,000		

8. STOCK OPTIONS

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

	Number of options	Weighted average exercise price (\$)
Balance, May 31, 2016	215,000	4.17
Granted (i)	3,800,000	0.15
Expired	(87,000)	5.72
Balance, November 30, 2016	3,928,000	0.25
Balance, May 31, 2017	3,913,000	0.23
Expired	(103,000)	3.00
Balance, November 30, 2017	3,810,000	0.16

(i) 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. The fair value of these options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: share price of \$0.15; expected dividend yield of 0%; risk-free interest rate of 0.71%; volatility of 193% and an expected life of 5 years. The fair value assigned to these options was \$552,900. For the three and six months ended November 30, 2017, the impact on the unaudited condensed interim statement of comprehensive loss was \$41,688 and \$99,282, respectively (three and six months ended November 30, 2016 - \$177,988).

Details of the stock options outstanding as at November 30, 2017 are as follows:

Remaining contractual life (years)	Exercisable options	Number of options	Weighted average exercise price (\$)	Expiry date
0.15	10,000	10,000	3.00	January 25, 2018
3.89	2,850,000	3,800,000	0.15	October 19, 2021
3.88	2,860,000	3,810,000	0.16	

SANDY LAKE GOLD INC.

Notes to Condensed Interim Financial Statements

November 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

9. NET LOSS PER COMMON SHARE

The calculation of basic and diluted loss per share for the three and six months ended November 30, 2017 was based on the loss attributable to common shareholders of \$161,845 and \$291,735, respectively (three and six months ended November 30, 2016 - loss of \$282,964 and \$388,371, respectively) and the weighted average number of common shares outstanding of 69,350,746 and 67,180,048, respectively (three and six months ended November 30, 2016 - 61,427,982 and 47,246,164, respectively). Diluted loss did not include the effect of stock options, warrants and Special Warrants for the three and six months ended November 30, 2017 and November 30, 2016, as they are anti-dilutive.

10. RELATED PARTY TRANSACTIONS

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

	Three Months Ended November 30, 2017		Six Months Ended November 30, 2016	
Marrelli Support Services Inc. ("Marrelli Support") (i)	\$ 4,555	\$ 9,791	\$ 9,111	\$ 17,546

(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 November 30, 2017, Marrelli Support was owed \$1,716 (May 31, 2017 - \$1,695). These amounts are included in accounts payable and accrued liabilities.

(ii) Refer to note 5(b)(ii)(iii).

(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 November 30, 2017		Six Months Ended November 30, 2016	
Salaries and fees	\$ 12,500	\$ 14,728	\$ 25,000	\$ 22,228
Share-based compensation	\$ 26,330	\$ 112,414	\$ 62,705	\$ 112,414

(c) Major shareholder

To the knowledge of the directors and senior officers of the Company, as at November 30, 2017, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights attached to all common shares of the Company other than as set out below:

	Number of common shares	Percentage of outstanding common shares
Patrick Sheridan	7,968,148	11.08 %

SANDY LAKE GOLD INC.

Notes to Condensed Interim Financial Statements

November 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

11. 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.

12. SUBSEQUENT EVENTS

(i) On January 9, 2018, the 12,500,000 Special Warrants owned by Patrick Sheridan were converted into 12,500,000 Units since the Company received shareholder approval. As a result, Patrick Sheridan owns 20,468,148 common shares (24.2%) of the Company.

(ii) On January 15, 2018, the Company announced that it proposes to complete a non-brokered private placement pursuant to which it will issue up to 10,000,000 units at a price of \$0.055 per unit to raise aggregate gross proceeds of up to \$550,000. Each unit shall consist of one common share of the Company and one share purchase warrant, with each such warrant exercisable to acquire one additional share at an exercise price of \$0.10 for a period of 24 months from the closing of the non-brokered private placement. Insiders of the Company may subscribe for up to 8,000,000 units in the non-brokered private placement.

The non-brokered private placement is currently scheduled to close on or about January 29, 2018 and remains subject to the receipt of all applicable regulatory approvals.