
SANDY LAKE GOLD INC.
CONDENSED INTERIM FINANCIAL STATEMENTS
THREE MONTHS ENDED AUGUST 31, 2018
(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 August 31, 2018 (Unaudited)	As at May 31, 2018 (Audited)
ASSETS		
Current assets		
Cash	\$ 181,134	\$ 312,977
Short-term investments	10,000	-
Marketable securities (note 3)	9,401	18,136
Amounts receivable	10,276	49,611
Prepaid expenses and deposits	25,217	12,326
Total current assets	236,028	393,050
Non-current assets		
Mining interests (note 4)	8,686,483	8,533,346
Total non-current assets	8,686,483	8,533,346
Total assets	\$ 8,922,511	\$ 8,926,396
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	\$ 587,415	\$ 495,375
Total liabilities	587,415	495,375
Shareholders' equity		
Share capital (note 5)	33,860,128	33,854,008
Warrants (note 7)	890,424	891,544
Contributed surplus	6,124,829	6,103,975
Deficit	(32,540,285)	(32,418,506)
Total shareholders' equity	8,335,096	8,431,021
Total liabilities and shareholders' equity	\$ 8,922,511	\$ 8,926,396

Nature of Operations and Going Concern (note 1)

Subsequent Event (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
August 31,
2018 2017

Operating expenses

Wages and employee benefits	\$	33,031	\$	15,187
Share-based compensation		20,854		57,594
Consulting fees		19,819		18,806
Office rent and utilities		15,333		6,209
Professional fees		7,863		8,123
Transfer agent and filing fees		5,812		7,898
Investor and community relations		3,546		1,124
Insurance		3,165		3,201
Office and administrative		2,415		2,027
Donation		-		5,000
Interest income		-		(802)
Operating loss before the following items		(111,838)		(124,367)
Unrealized loss on marketable securities (note 3)		(8,735)		(654)
Interest and bank charges		(1,244)		(1,461)
Gain (loss) on foreign exchange		38		(3,408)
Comprehensive loss for the period	\$	(121,779)	\$	(129,890)
Basic and diluted net loss per common share (note 9)	\$	(0.00)	\$	(0.00)
Weighted average number of common shares outstanding - basic and diluted (note 9)		99,437,738		64,923,917

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
August 31,
2018 2017

Operating activities

Net loss for the period	\$	(121,779)	\$	(129,890)
Adjustments for:				
Share-based compensation		20,854		57,594
Unrealized loss on marketable securities (note 3)		8,735		654
Changes in non-cash working capital items:				
Amounts receivable		39,335		(21,843)
Prepaid expenses and deposits		(12,891)		(5,952)
Accounts payable and accrued liabilities		92,040		(212,123)
Net cash provided by (used in) operating activities		26,294		(311,560)

Investing activities

Mining interests		(153,137)		(245,249)
Purchase of short-term investments		(10,000)		-
Net cash used in investing activities		(163,137)		(245,249)

Financing activities

Private placements (note 5(b)(i))		-		750,000
Share issue costs		-		(1,000)
Proceeds from warrants exercised		5,000		-
Net cash provided by financing activities		5,000		749,000

Net change in cash		(131,843)		192,191
Cash, beginning of period		312,977		364,834
Cash, end of period	\$	181,134	\$	557,025

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, 2017	61,427,982	\$ 32,829,583	\$ -	\$ -	\$ 5,941,332	\$ (31,818,291)	\$ 6,952,624
Common shares issued for private placement (note 5(b)(i))	7,500,000	198,000	-	177,000	-	-	375,000
Share issues costs	-	(1,000)	-	-	-	-	(1,000)
Special Warrants issued for private placement (note 5(b)(i))	-	-	375,000	-	-	-	375,000
Share-based compensation	-	-	-	-	57,594	-	57,594
Net loss for the period	-	-	-	-	-	(129,890)	(129,890)
Balance, August 31, 2017	68,927,982	\$ 33,026,583	\$ 375,000	\$ 177,000	\$ 5,998,926	\$ (31,948,181)	\$ 7,629,328
Balance, May 31, 2018	99,427,982	\$ 33,854,008	\$ -	\$ 891,544	\$ 6,103,975	\$ (32,418,506)	\$ 8,431,021
Warrants exercised	50,000	6,120	-	(1,120)	-	-	5,000
Share-based compensation	-	-	-	-	20,854	-	20,854
Net loss for the period	-	-	-	-	-	(121,779)	(121,779)
Balance, August 31, 2018	99,477,982	\$ 33,860,128	\$ -	\$ 890,424	\$ 6,124,829	\$ (32,540,285)	\$ 8,335,096

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

August 31, 2018

(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 carry out future exploration activities 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, 2018. 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. These adjustments could be material. The Company has an accumulated deficit of \$32,540,285 from inception and working capital deficit of \$351,387, all of which cast significant doubt upon the Company's ability to continue as a going concern.

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 24, 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, 2018, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending May 31, 2019 could result in restatement of these unaudited condensed interim financial statements.

SANDY LAKE GOLD INC.

Notes to Condensed Interim Financial Statements

August 31, 2018

(Expressed in Canadian Dollars)

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standard Adopted

On July 24, 2014, the IASB issued the completed IFRS 9 - Financial Instruments ("IFRS 9") to come into effect on January 1, 2018 with early adoption permitted.

IFRS 9 includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"), for the classification and measurement of financial liabilities.

The Company adopted IFRS 9 in its unaudited condensed interim financial statements on June 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening accumulated deficit balance on June 1, 2018. The impact on the classification and measurement of its financial instruments is set out below.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the statement of loss and comprehensive loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

Classification	IAS 39	IFRS 9
Cash	FVTPL	FVTPL
Short-term investments	FVTPL	FVTPL
Marketable securities	FVTPL	FVTPL
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

The original carrying value of the Company's financial instruments under IAS 39 has not changed under IFRS 9.

New Accounting Standard Not Yet Effective

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.

SANDY LAKE GOLD INC.

Notes to Condensed Interim Financial Statements

August 31, 2018

(Expressed in Canadian Dollars)

(Unaudited)

3. MARKETABLE SECURITIES

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

	Cost	Fair market value May 31, 2018	Fair market adjustment	Fair market value August 31, 2018
Crusader Resources Limited - 500,000 common shares	\$ 211,604	\$ 18,136	\$ (8,735)	\$ 9,401

4. MINING INTERESTS

	Three Months Ended August 31, 2018	Year Ended May 31, 2018
Sandy Lake Property		
Balance, beginning of period	\$ 8,533,346	\$ 6,710,072
Acquisition costs	-	250,000
Consulting	-	1,970
Donations	-	19,650
Drilling	11,326	74,867
Geology	2,368	330,245
Legal	109,000	977,878
Other	6,438	33,079
Site work	3,233	-
Transportation	11,130	91,032
Travel	9,288	33,495
Wages and salaries	354	11,058
Additions for the period	153,137	1,823,274
Balance, end of period	\$ 8,686,483	\$ 8,533,346

Sandy Lake Property

On July 6, 2018, the Company received a partial award in the Arbitration Proceedings with Goldeye Explorations Limited) ("Goldeye"). The Arbitral Tribunal has ruled in favour of the Company on all substantive issues.

The two main issues were the amount of first year expenditures and whether Goldeye exercised an option to participate as a 50% joint venture with the Company in the ownership a of a large group of claims staked around the original Weebigee project in 2015. Goldeye, which initiated the proceedings, had alleged that the Company had failed to incur minimum first year expenditures of \$500,000 on the Weebigee property as required by the May 2015 option agreement. The Arbitral Tribunal panel ruled that in fact the Company had incurred expenditures of \$1,292,130 in the first year.

Significantly, the Tribunal also ruled that Goldeye failed to fulfill the conditions for participating as a joint venturer in the surrounding mineral claim land package of approximately 80,000 acres (2,210 claim units), and that Goldeye has no ownership or any other rights over or interests in these claims.

The counterclaim of the Company against Goldeye is pending before the Arbitral Panel and has not yet been determined.

SANDY LAKE GOLD INC.

Notes to Condensed Interim Financial Statements

August 31, 2018

(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, 2017	61,427,982	\$ 32,829,583
Common shares issued for private placement (i)	7,500,000	375,000
Warrants (i)	-	(177,000)
Share issue costs	-	(1,000)
Balance, August 31, 2017	68,927,982	\$ 33,026,583
Balance, May 31, 2018	99,427,982	\$ 33,854,008
Warrants exercised	50,000	6,120
Balance, August 31, 2018	99,477,982	\$ 33,860,128

(i) 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 consisted 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 consisted 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. On January 9, 2018, the Special Warrants were converted into Units without any additional payment since the Company received shareholder approval.

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.

SANDY LAKE GOLD INC.**Notes to Condensed Interim Financial Statements****August 31, 2018****(Expressed in Canadian Dollars)****(Unaudited)**

6. SPECIAL WARRANTS

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

	Number of Special Warrants	Amount
Balance, May 31, 2017	-	\$ -
Issued (note 5(b)(i))	7,500,000	375,000
Balance, August 31, 2017	7,500,000	\$ 375,000
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Balance, May 31, 2018 and August 31, 2018	-	\$ -

There are no Special Warrants outstanding as at August 31, 2018.

7. WARRANTS

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

	Number of warrants	Weighted average exercise price (\$)
Balance, May 31, 2017	-	-
Issued (note 5(b)(i))	7,500,000	0.10
Balance, August 31, 2017	7,500,000	0.10
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Balance, May 31, 2018	38,000,000	0.10
Exercised	(50,000)	0.10
Balance, August 31, 2018	37,950,000	0.10

The following table reflects the warrants issued and outstanding as of August 31, 2018:

Number of warrants outstanding	Fair value (\$)	Exercise price (\$)	Expiry date
14,950,000	334,955	0.10	July 19, 2019
8,000,000	184,500	0.10	November 17, 2019
10,000,000	256,160	0.10	February 28, 2020
5,000,000	114,809	0.10	May 15, 2020
37,950,000	890,424		

SANDY LAKE GOLD INC.

Notes to Condensed Interim Financial Statements

August 31, 2018

(Expressed in Canadian Dollars)

(Unaudited)

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, 2017 and August 31, 2017	3,913,000	0.23
Balance, May 31, 2018 and August 31, 2018	4,600,000	0.14

Details of the stock options outstanding as at August 31, 2018 are as follows:

Remaining contractual life (years)	Exercisable options	Number of options	Weighted average exercise price (\$)	Expiry date
3.14	3,500,000	3,500,000	0.15	October 19, 2021
4.52	275,000	1,100,000	0.09	March 6, 2023
3.47	3,775,000	4,600,000	0.14	

9. NET LOSS PER COMMON SHARE

The calculation of basic and diluted loss per share for the three months ended August 31, 2018 was based on the loss attributable to common shareholders of \$121,779 (three months ended August 31, 2017 - loss of \$129,890) and the weighted average number of common shares outstanding of 99,437,738 (three months ended August 31, 2017 - 64,923,917). Diluted loss did not include the effect of stock options, warrants and special warrants for the three months ended August 31, 2018 and August 31, 2017, as they are anti-dilutive.

10. RELATED PARTY TRANSACTIONS

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

	Three Months Ended August 31,	
	2018	2017
Marrelli Support Services Inc. ("Marrelli Support") (i)	\$ 4,556	\$ 4,556

(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, 2018, Marrelli Support was owed \$1,716 (May 31, 2018 - \$1,716). These amounts are included in accounts payable and accrued liabilities.

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

SANDY LAKE GOLD INC.

Notes to Condensed Interim Financial Statements

August 31, 2018

(Expressed in Canadian Dollars)

(Unaudited)

10. RELATED PARTY TRANSACTIONS (CONTINUED)

(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,	
	2018	2017
Salaries and fees	\$ 10,000	\$ 12,500
Share-based compensation	\$ -	\$ 36,375

(c) Major shareholder

To the knowledge of the directors and senior officers of the Company, as at August 31, 2018, 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	27,768,148	27.91 %

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 EVENT

(i) On September 27, 2018, the Company closed a non-brokered private placement pursuant to which it issued 4,700,000 units at a price of \$0.06 per unit for gross proceeds of \$282,000. Each unit consists of one common share of the Company and one share purchase warrant, with each such warrant exercisable to acquire one additional common share at an exercise price of \$0.10 for a period of 36 months. Insiders of the Company subscribed for an aggregate of 3,700,000 units in the offering. All securities issued in connection with the offering are subject to a statutory hold period expiring on January 28, 2019.