



THIRD QUARTER REPORT

FOR THE NINE MONTHS ENDED MAY 31, 2014

Unaudited (prepared by management)

Expressed in Canadian dollars



MANAGEMENT DISCUSSION AND ANALYSIS

NINE MONTHS ENDED MAY 31, 2014



Management Discussion and Analysis For the nine months ended May 31, 2014

The following management discussion and analysis (“MD&A”) of the results of operations and financial condition of Sunridge Gold Corp. (the “Company” or “Sunridge”) should be read in conjunction with the accompanying unaudited condensed interim financial statements and related notes thereto for the nine months ended May 31, 2014 and with the audited financial statements for the years ended August 31, 2013 and 2012, all of which are available at the SEDAR website at www.sedar.com.

The financial information in this MD&A is derived from the Company’s financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

This MD&A contains information as at July 29, 2014, except as indicated.

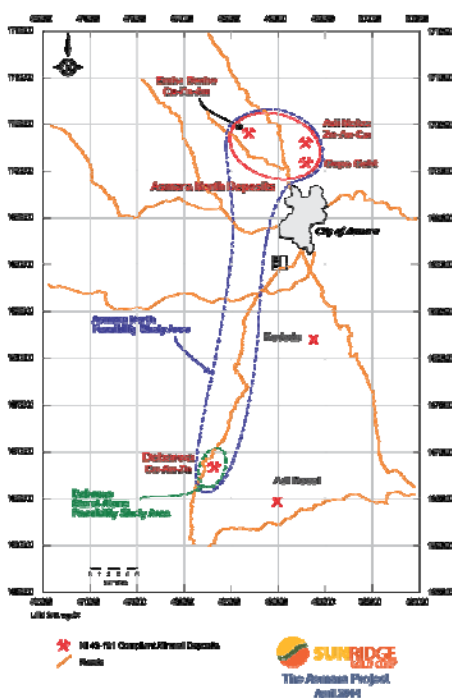
Description of the Business

Sunridge is incorporated under the laws of the Province of British Columbia and is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange under the symbol SGC and on the OTCQX market place under the symbol SGCNF.

The Company is engaged in the exploration and advancement to development of its Asmara Project in Eritrea. The Company is considered to be in the pre-production stage given the Asmara Project is not yet permitted or funded for development.

Overall performance

Highlights of the work conducted in the three months ended May 31, 2014, and up to the date of this MD&A can be summarized as follows:



- On June 27, 2014, the Company signed a shareholders’ agreement with ENAMCO for the formation and governance of the Asmara Mining Share Company that will own and operate the Asmara Project
- On July 15, 2014, the Company received the first US\$2 million instalment of the US\$18.33 million purchase price from the sale of a 30% interest in the Company’s Asmara Project to ENAMCO
- On April 30, 2014, the Company announced it filed an updated Feasibility Study with values from the Base Case financial model for the Asmara Project being increased post-tax NPV from US\$345 million to US\$428 million
- In April 2014, the Social and Environmental Management Plans were filed with the Ministry of Energy and Mines.
- AMSCo on track to start production in 2015 on the Asmara Project



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The Asmara Project

The Company holds three exploration licenses in Eritrea that comprise the Asmara Project: the Medrizien exploration license on which the Emba Derho and Kodadu deposits are located; the Debarwa exploration license on which the Debarwa and Adi Rassi deposits are located; and the Adi Nefas exploration license on which the Adi Nefas and Gupo deposits are located. The Debarwa and Adi Rassi deposits are on the southern part of the licenses. The Emba Derho, Adi Nefas and Gupo deposits are grouped towards the northern part of the exploration licenses with the Kodadu deposit is approximately midway between the northern and southern deposits (see map above).

The Company's exploration licenses that constitute the Asmara Project were due for renewal on May 22, 2014 and while the Company has filed the application, it is waiting for the official notification from the Ministry of Energy & Mines of The State of Eritrea that the exploration licenses have been extended until May 22, 2015.

Eritrean National Mining Corporation ("ENAMCO")

On July 4, 2012, ENAMCO exercised its right to acquire a 30% paid participating interest in the Company's Asmara Project. This is in addition to ENAMCO's existing right to be issued a 10% free carried interest that will be carried to production by the participating partners. On January 31, 2014, the Company executed a binding term sheet with the ENAMCO regarding ENAMCO's purchase of the 30% participating interest for US\$18,330,000, to bear interest from the date of signing a shareholders' agreement and payable in stages prior to production (the "Purchase Price").

On June 27, 2014, the Company and ENAMCO executed a shareholders' agreement (the "Shareholders' Agreement") to organize and operate the Asmara Mining Share Company ("AMSCo") the operating entity which will own and operate the Asmara Project. AMSCo will be owned 60% by Sunridge and 40% by ENAMCO (30% participating and 10% free carried interest) and will have a board of directors of five, comprising three from Sunridge and two from ENAMCO. Pursuant to the Shareholders' Agreement, the parties have agreed that ENAMCO will contribute one-third of the funding of expenditures on the Asmara Project, including exploration and development retroactive to July 4, 2012, the date ENAMCO delivered its notice of intention to exercise its full purchase option. Since then, Sunridge has contributed approximately US\$12,000,000 to the Asmara Project and now ENAMCO has agreed to fund the next approximately US\$6,000,000 to AMSCo for their portion of retroactive contributions to the Asmara Project. Subsequently, all future project development or exploration costs will be shared two-thirds Sunridge and one-third ENAMCO.

Payment of the Purchase Price shall be made as follows:

- US\$2,000,000 on signing the Shareholders' Agreement (received July 15, 2014)
- US\$1,000,000 by September 30, 2014
- US\$1,000,000 by October 30, 2014
- US\$1,000,000 by November 30, 2014

The balance of the Purchase Price (US\$13,330,000) will be paid in installments beginning upon signing a finance agreement that secures a significant portion of the financing required to develop the Asmara Project (the "Financing Agreement"):

- US\$6,000,000 on signing the Financing Agreement
- US\$4,000,000 6 months after signing the Financing Agreement
- US\$3,330,000 12 months after signing the Financing Agreement



Management Discussion and Analysis
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From the date of execution of the Shareholder Agreement until payment of the Purchase Price is made in full, ENAMCO shall pay interest to the Company at a rate of LIBOR plus 3%.

The Purchase Price has not been recorded as a receivable in the financial statements as at May 31, 2014 as the Shareholders' Agreement was not finalized until June 27, 2014.

Feasibility Study (the "Study")

On August 21, 2013, the Company filed an amended National Instrument 43-101 ("NI 43-101") compliant technical report supporting the independent feasibility study (the "Study") for its Asmara Project in Eritrea. The Study demonstrates that the mining of four of the six deposits that make up the Asmara Project (Emba Derho, Adi Nefas, Gupo Gold and Debarwa) and processing of the ore near the large Emba Derho deposit is economically robust with a net present value ("NPV") of US\$692 million using a 10% discount rate.

On March 27, 2014, the Company announced that it had received updated values from the financial model for the Study which increased the Base Case post-tax NPV from US\$345 million to US\$428 million. The increased numbers are based on the Company receiving clarity on the tax laws of Eritrea, specifically the application of historic expenditures and depreciation in the financial model. The pre-tax value of US\$692 million for the Study remains unchanged. An amended Asmara Feasibility Technical Report which incorporates the updated application of Eritrean tax laws was completed by lead engineering company SENET with support from Snowden Mining Industry Consultants Inc. on resource estimation, mine design, mine planning and economic modeling in addition to work by Knight Piésold Ltd. on water and waste management design. Blue Coast Metallurgy Ltd. directed metallurgical test-work. The amended report was filed on April 29, 2014.

The Study outlines a three-phase start-up mining operation which would initiate production in 2015 starting with high-grade copper and gold direct shipping ore production from the Debarwa deposit and heap-leaching of near surface gold, followed by supergene copper production, then zinc and copper at a full production rate of 4 million tonnes per year. At full production, the mine will produce an average annual production of 65 million lbs (29,000 t) copper, 184 million lbs. (83,000 t) zinc, 42,000 oz gold, and 1 million oz silver over the first 8 years. The life of mine is 16.3 years (1 construction year and 15.3 production years).

The three phase start up designed to reduce initial capital costs. In **Phase 1A**, the high-grade copper (direct shipping ore "DSO") will be mined from the Debarwa deposit by open-pit methods, crushed and loaded into containers and transported 120 km to the port facility at Massawa for shipping and sale to a smelter. This DSO zone contains 116,000 tonnes of high-grade material with an average grade of 15.6% copper, 2.96 g/t gold, and 76.8 g/t silver. In order to access the DSO zone, which is found about 30 meters from surface, the enriched gold oxide cap at surface will be mined and this material along with the similar gold cap from Emba Derho will make up **Phase 1B** which is the open-pit mining of the gold caps from both deposits with recovery of the gold by heap-leaching methods. Providing that the mining license is issued by the government to AMSCO as expected in late 2014 or early 2015, and funding is in place, then Phase 1 production is on track to start in the 4th quarter of 2015.

Capital and operating costs for Phase 1 are currently being reviewed in detail as management has identified opportunities to potentially lower these costs and further enhance the economics. Phase **1A** capital costs are expected to be significantly reduced than those outlined in the feasibility study and the initial revenue from Phase 1A (DSO) will fund the construction of Phase 1B (gold heap-leaching) facilities.



Management Discussion and Analysis

For the nine months ended May 31, 2014

Mining License

The permitting process to receive a mining license for operation of the Asmara Project was initiated last January with the submittal of the Social and Environmental Impact Assessment (SEIA) report and in April 2014 of the Social and Environmental Management Plans (SEMP) to the Ministry of Energy and Mines. Recently, the Ministry of Energy & Mines appointed an independent engineering company to initiate due diligence work on the Study and the SEIA. This work is expected to be completed by September 2014 and therefore the mining license is likely to be granted to AMSCo as expected in the 4th quarter of 2014 or the 1st quarter of 2015.

Selection of Engineering, Procurement and Construction Management (EPCM) Contractor

Eligible candidates for an EPCM contractor for Phase 2 and 3 of the Asmara mine were identified in late 2013. The tendering process will proceed in September 2014 with the appointment by AMSCo of the selected contractor scheduled for December 2014 with basic design work beginning soon afterwards. EPCM functions for Phase 1 will be conducted by an owner's team with support from a consultant engineering group.

Environmental Monitoring and Social Engagement

To comply with both international and national environmental regulations AMSCo will have an ongoing program of environmental monitoring that will continue to the initialization of production and beyond. In addition, there is an ongoing program of engagement of local communities that will be affected by the development of the Asmara Project.

Project Financing

A project information memorandum was disseminated to a group of potential debt financing lenders in late 2013. These groups included commercial and development banks, export credit agencies and equipment suppliers, commodity off-take companies and royalty and streaming groups. At this stage several financing options are under consideration, including conventional senior secured project related debt facilities and subordinated debt. Management of AMSCo will continue discussions with potential lending groups during the third quarter of 2014 with expectations of indicative term sheets to be delivered from the groups by the end of 2014 for consideration.

Discussions with other parties

Since publication of the results of the Study in May 2013, Sunridge has been approached by a number of companies interested in acquiring all or part of Sunridge's interest in the Asmara Project. The Company continues discussions with a number of interested parties. There can be no assurance that any transaction will occur, or as to the timing, structure or terms of any transaction.

Qualified Person

Michael Hopley is the person responsible for preparation and verification of the technical information contained in this MD&A and is a qualified person and President and Chief Executive Officer of Sunridge.



Management Discussion and Analysis
For the nine months ended May 31, 2014

Results of operations

The loss for the nine months ended May 31, 2014 was \$4,683,481 (2013 – \$9,939,620).

The more significant amounts and differences for the periods are as follows:

- Consulting fees and salaries, which include fees and salaries paid to the Company's executives and directors as well as support staff, were \$1,201,870 for the nine months ended May 31, 2014 (2013 - \$1,067,513). The increase over the comparative period is due to the hiring of an Operations Manager for the Asmara Project as well as less consulting fees and salaries being allocated to exploration and evaluation expenditures.
- Exploration and evaluation expenditures totaled \$1,894,799 for the nine months ended May 31, 2014 (2013 - \$7,142,959). As discussed earlier, the Company completed a feasibility study on the Asmara Project in May 2013 and completed a SEIA report in December 2013. A total of \$1,865,724 was expended on the Asmara Project in the current period compared to \$7,082,553 in the comparative period with the largest expenditure item being engineering contractors and consultants of \$1,006,776 in the current period compared to \$4,495,118 in the prior period. The Company expended \$29,075 at the Besakoa project in Madagascar, prior to the Company forfeiting its interest in the project, compared to expenditures of \$60,406 in the comparative period.
- Financial advisory fees totaled \$300,818 for the nine months ended May 31, 2014 (2013 - \$234,151). On August 8, 2011, the Company engaged Endeavour Financial International Corporation ("Endeavour") on an exclusive basis to provide financial advisory services with respect to its debt financing requirements for the development of the Asmara Project. Endeavour is paid a monthly work fee during the term of the engagement, milestone fees in certain circumstances and a financing success fee on the closing of any debt financing provided to Sunridge. On June 10, 2013, the Company engaged Micon International Limited ("Micon") to complete an independent "due diligence" review of the Asmara Project on behalf of potential financing providers to the project. Endeavour will lead this process until the lender group is formed. Micon's review covered all aspects of the project including mineral resources/reserves, metallurgy, processing plant and infrastructure, mine design, economic analysis, and environmental and social engagement programs. Micon recently completed their independent "due diligence" review of the Asmara Project and the report is now available to potential lenders.
- Investor relations and travel expenses combined to \$277,762 for the nine months ended May 31, 2014 (2013 - \$358,104). The category includes executive travel to Eritrea as well as travel to present the Company to interested investors.
- Professional fees were \$67,835 for the nine months ended May 31, 2014 (2013 - \$29,524). The increase was primarily related to legal fees in connection with employment agreements, the Shareholders' Agreement finalization and other matters.
- Rent, telephone and utilities were \$94,854 for the nine months ended May 31, 2014 (2013 - \$76,987). The increase over the comparative period is due to the Company sub-leasing part of its office space in the prior period.



Management Discussion and Analysis
For the nine months ended May 31, 2014

- Non-cash share-based compensation expense for the nine months ended May 31, 2014 was \$680,409 (2013 - \$764,388). During the nine months ended May 31, 2014, the Company granted 5,300,000 (2013 – 6,000,000) stock options to directors, officer, employees and consultants, exercisable for up to five years at a price of \$0.26 per share.

The remaining costs increased or decreased relatively insignificantly.

Summary of Quarterly Results

The financial results for each of the eight most recently completed quarters are summarized below:

	3 months ended May 31, 2014	3 months ended February 28, 2014	3 months ended November 30, 2013	3 months ended August 31, 2013	3 months ended May 31, 2013	3 months ended February 28, 2013	3 months ended November 30, 2012	3 months ended August 31, 2012
Total revenues	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Loss	(1,523,413)	(1,192,174)	(1,967,894)	(2,510,364)	(3,626,612)	(3,564,714)	(2,748,294)	(2,929,313)
Loss per share, basic and diluted	(0.01)	(0.00)	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)	(0.02)

The loss is discussed in the Results of Operations.

The Company is an exploration pre-production stage company. At this time any issues of seasonality or metal market fluctuations have no significant impact. In part, the Company's treasury determines the levels of activity.

Liquidity

The Company began the period with cash of \$883,225. In the nine months ended May 31, 2014, the Company expended \$5,351,548 on operating activities and received \$5,211,753 from the net proceeds of a private placement and the exercise of options, to end on May 31, 2014 with \$743,430 in cash.

In October 2013, the Company completed a brokered and non-brokered private placement by issuing 30,263,159 units at a price of \$0.19 per unit for gross proceeds of \$5,750,000. Each unit comprised one common share and one transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.35 until October 18, 2017. In relation to the brokered portion of the private placement, the Company paid commissions of \$341,010 in cash and issued 1,794,789 broker warrants. Each broker warrant entitles the holder to purchase one unit at a price of \$0.19 per unit until October 18, 2017. Additional cash share issue costs were \$230,237.

In May 2014, the Company issued 150,000 common shares on the exercise of options for gross proceeds of \$33,000.

As at May 31, 2014, the Company had working capital of \$290,399, however, on July 15, 2014, the Company received US\$2,000,000 from ENAMCO and will receive an additional US\$3,000,000 from ENAMCO by November



Management Discussion and Analysis
For the nine months ended May 31, 2014

30, 2014 as partial payment of the Purchase Price. In addition, ENAMCO has agreed to fund the next approximately US\$6,000,000 to AMSCo for exploration of the Asmara Project before Sunridge must begin funding its two-thirds share of AMSCo cash calls. Management estimates these funds will provide the Company with sufficient financial resources to carry out currently planned operations through the next twelve months however, the Company will need to seek additional sources of financing to bring the Asmara mine into production. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

Capital Resources

At the date of this MD&A, the Company has 17,912,500 stock options at exercise prices ranging from \$0.22 to \$1.37; 81,192,558 share purchase warrants at exercise prices ranging from \$0.35 to \$1.40; and 1,823,218 broker warrants at exercise prices ranging from \$0.19 to \$0.22.

All stock options, share purchase warrants, and broker warrants will, if exercised, provide additional cash.

Contractual Obligations

The Company's expenditure commitments on its mineral properties are primarily at the Company's discretion.

The Company has an obligation under its corporate office lease in Vancouver, B.C. until March 2015 as described in the annual financial statements.

Transactions with Related Parties

- a) The Company's related parties consist of companies owned in whole or in part by executive officers and directors as follows:

Name	Nature of transactions
Golden Oak Corporate Services Limited	Consulting for corporate compliance and financial reporting

The Company incurred the following fees in the normal course of operations in connection with companies owned by key management and directors.

	Three months ended May 31,		Nine months ended May 31,	
	2014	2013	2014	2013
Consulting fees	\$ 30,000	\$ 30,000	\$ 90,000	\$ 90,000



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b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel, which include the amounts disclosed above, during the nine months ended May 31, 2014 and 2013 were as follows:

	Three months ended May 31,		Nine months ended May 31,	
	2014	2013	2014	2013
Salaries	\$ 215,000	\$ 215,000	\$ 603,750	\$ 645,000
Director fees	40,875	40,875	122,625	122,625
Consulting fees	30,000	30,000	90,000	90,000
Share-based compensation	551,909	80,151	551,909	573,369
	\$ 837,784	\$ 366,026	\$ 1,368,284	\$ 1,430,994

As at May 31, 2014, an amount of \$132,678 (2013 - \$51,834) is due to certain officer and directors of the Company and is included in trade and other payables.

New standards, interpretations and amendments not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of May 31, 2014 and have not been applied in preparing these condensed interim financial statements.

Effective for annual periods beginning on or after January 1, 2014

- Amendments to IAS 32, Financial Instruments: Presentation

IAS 32 is amended to clarify the requirements for offsetting of financial assets and financial liabilities.

Indefinitely postponed, with a proposed effective date of January 1, 2018

- New standard IFRS 9, Financial Instruments

Partial replacement of IAS 39, Financial Instruments: Recognition and Measurement. This standard simplifies the current measurement model for financial instruments under IFRS and establishes two measurement categories for financial assets: amortized cost, and fair value. The existing IAS 39 categories of loans and receivables, held to maturity investments, and available for sale financial assets will be eliminated.

The Company has not early adopted these revised standards and none of these standards are expected to have a material effect on the financial statements.



Management Discussion and Analysis
For the nine months ended May 31, 2014

Financial Instruments and Risk Management

Financial Instruments

Financial instruments are classified into one of the following categories: FVTPL; held-to-maturity investments; loans and receivables; available-for-sale; or other liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	May 31, 2014	August 31, 2013
Cash	FVTPL	\$ 743,430	\$ 883,225
Receivables	Loans and receivables	10,165	34,925
Trade and other payables	Other liabilities	(509,676)	(2,760,295)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.
- Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.
- Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Company's financial instruments consist of cash, receivables, and trade and other payables. The fair values of receivables and trade and other payables approximate their fair value due to their short-term nature. Cash is recorded at fair value using Level 1 of the fair value hierarchy.

Risk Management

The Company's risk exposures and the impact on the Company's financial instruments are summarized as follows:

Credit Risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and receivables, which includes balances receivable from the government. The Company limits the exposure to credit risk in its cash by only investing its cash with high-credit quality financial institutions in business and savings accounts, guaranteed investment certificates and in government treasury bills which are available on demand by the Company for its programs.



Management Discussion and Analysis
For the nine months ended May 31, 2014

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that there is sufficient capital in order to meet short-term business requirements. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next sixty days.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

- (a) **Interest Rate Risk:** The Company is exposed to interest rate risk to the extent that its cash balances bear variable rates of interest. The interest rate risks on cash and on the Company's obligations are not considered significant.
- (b) **Foreign Exchange Risk:** As at May 31, 2014, the majority of the Company's cash was held in Canada in Canadian and US dollars. The Company's significant operations are carried out in Eritrea. As a result, a portion of the Company's working capital is denominated in Nakfa and United States Dollars and is therefore subject to fluctuation in exchange rates. The government of Eritrea has fixed the exchange rate of Nakfa as 15 Nakfa for one United States dollar. The effect of a one percent change in the foreign exchange rate on the working capital items held in Nakfa and United States dollars would result in an approximate \$1,000 decrease or increase, respectively, in profit or loss for the nine months ended May 31, 2014, and shareholder's equity as at May 31, 2014. The Company has not hedged its exposure to currency fluctuations.
- (c) **Commodity Price Risk:** While the value of the Company's mineral resource properties are related to the price of copper, zinc, gold and silver and the outlook for these minerals, the Company currently does not have any operating mines and hence does not have any hedging or other commodity based risks in respect to its operational activities.

Historically, the prices of these metals have fluctuated widely and are affected by numerous factors outside of the Company's control.

Political Uncertainty

In conducting operations in Eritrea, the Company is subject to considerations and risks not typically associated with companies operating in North America. These include risks such as the political, economic and legal environments. Among other things, the Company's results may be adversely affected by changes in the political and social conditions in Eritrea and by changes in governmental policies with respect to mining laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation.

Additional Disclosure for Venture Issuers without Significant Revenue

The components of expensed exploration and capitalized acquisition costs are described in note 7 of the financial statements for the nine months ended May 31, 2014.



Management Discussion and Analysis
For the nine months ended May 31, 2014

Outstanding Share Data as at the date of this MD&A

Authorized: an unlimited number of common shares without par value.	Common Shares Issued and Outstanding	Common Share Purchase Warrants	Stock Options	Broker Warrants
Outstanding as at May 31, 2014	209,794,982	81,192,558	19,332,500	1,823,218
Options expired	-	-	(1,420,000)	-
Outstanding as at the date of this MD&A	209,794,982	81,192,558	17,912,500	1,823,218

Forward looking statements

This MD&A may include or incorporate by reference certain statements or disclosures that constitute “forward-looking information” under applicable securities laws. All information, other than statements of historical fact, included or incorporated by reference in this MD&A that addresses activities, events or developments that Company or its management expects or anticipates will or may occur in the future constitute forward-looking information. Forward-looking information is provided through statements that are not historical facts and are generally, but not always, identified by the words “expects”, “plans”, “anticipates”, “believes”, “intends”, “estimates”, “projects”, “potential” and similar expressions, or that events or conditions “will”, “would”, “may”, “could” or “should” occur or continue. These forward-looking statements are based on certain assumptions and analyses made by Company and its management in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances.

Although the Company believes such forward-looking information and the expectations expressed in them are based on reasonable assumptions, investors are cautioned that any such information and statements are not guarantees of future realities and actual realities or developments may differ materially from those projected in forward-looking information and statements. Whether actual results will conform to the expectations of the Company is subject to a number of risks and uncertainties, including those risk factors discussed under “Risk Factors” elsewhere in this MD&A and the documents incorporated herein by reference. In particular, if any of the risk factors materialize, the expectations, and the predictions based on them, of the Company may need to be re-evaluated. Consequently, all of the forward-looking information in this MD&A and the documents incorporated herein by reference is expressly qualified by these cautionary statements and other cautionary statements or factors contained herein or in documents incorporated by reference herein, and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences for the Company.

Forward-looking statements are based on the beliefs, estimates and opinions of the Company’s management on the date the statements are made. Unless otherwise required by law, the Company expressly disclaims any intention and assumes no obligation to update or revise any forward-looking statements in the event that management’s beliefs, estimates or opinions, or other factors, should change, whether as a result of new information, future events or otherwise, and the Company does not have any policies or procedures in place concerning the updating of forward-looking information other than those required under applicable securities laws. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information.



Management Discussion and Analysis
For the nine months ended May 31, 2014

Risks

Information concerning risks specific to the Company and its industry, which are required to be included in this MD&A are incorporated by reference to the Company's annual MD&A for the year ended August 31, 2013.

Other Information

Additional information relating to the Company is available for viewing on SEDAR at www.sedar.com and at the Company's web site www.sunridgegold.com.



CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited – prepared by management)

(Expressed in Canadian dollars)

NINE MONTHS ENDED MAY 31, 2014

Notice to Reader

These condensed interim financial statements of Sunridge Gold Corp. have been prepared by management and approved by the Audit Committee of the Board of Directors of the Company. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed these condensed interim financial statements, notes to financial statements and the related interim Management Discussion and Analysis.



CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited – prepared by management)

(Expressed in Canadian dollars)

	<i>Note</i>	May 31, 2014	August 31, 2013
ASSETS			
Current			
Cash	4	\$ 743,430	\$ 883,225
Receivables	5	10,165	34,925
Advances and prepaid expenses	6	46,480	41,521
		800,075	959,671
Exploration and evaluation assets	7	18,672,672	18,672,672
Equipment	8	134,321	186,535
		\$ 19,607,068	\$ 19,818,878
LIABILITIES			
Current			
Trade and other payables	9	\$ 509,676	\$ 2,760,295
SHAREHOLDERS' EQUITY			
Share capital	10	115,332,326	109,452,850
Share-based reserve	10	13,032,432	12,189,618
Deficit		(109,267,366)	(104,583,885)
		19,097,392	17,058,583
		\$ 19,607,068	\$ 19,818,878
Nature of operations and going concern	1		
Subsequent event	7		

These condensed interim financial statements are approved for issue by the Audit Committee of the Board of Directors on July 29, 2014.

“Michael J. Hopley”

Michael J. Hopley, Director

“Eric Edwards”

Eric Edwards, Director

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



CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited – prepared by management)

(Expressed in Canadian dollars)

	<i>Note</i>	Three months ended May 31,		Nine months ended May 31,	
		2014	2013	2014	2013
Expenses					
Consulting fees and salaries		\$ 376,310	\$ 336,616	\$ 1,201,870	\$ 1,067,513
Depreciation		17,367	15,778	52,214	59,769
Exploration and evaluation expenditures	7	276,409	2,794,573	1,894,799	7,142,959
Financial advisory fees		41,260	140,302	300,818	234,151
Foreign exchange		(10,537)	51,247	(13,996)	84,525
Insurance		5,326	6,214	16,438	19,085
Investor relations		37,743	63,952	158,943	204,268
Office and miscellaneous		13,460	13,343	47,453	69,016
Professional fees		16,477	9,540	67,835	29,524
Rent, telephone and utilities		30,628	26,188	94,854	76,987
Share-based compensation	10	670,750	113,777	680,409	764,388
Transfer agent, regulatory and shareholder communication		16,948	9,057	75,980	76,730
Travel		33,848	55,712	118,819	153,836
		(1,525,989)	(3,636,299)	(4,696,436)	(9,982,751)
Interest income		2,576	9,687	12,955	43,131
Loss and comprehensive loss for the period		\$ (1,523,413)	\$ (3,626,612)	\$ (4,683,481)	\$ (9,939,620)
Basic and diluted loss per common share		\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.06)
Weighted average number of shares outstanding		209,822,699	175,162,728	203,334,561	165,640,104

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



CONDENSED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited – prepared by management)

(Expressed in Canadian dollars)

	Nine months ended May 31,	
	2014	2013
Cash flows to operating activities		
Loss for the period	\$ (4,683,481)	\$ (9,939,620)
Items not involving cash:		
Depreciation	52,214	59,769
Share-based compensation	680,409	764,388
Non-cash financial advisory fees	-	42,470
Change in non-cash working capital items:		
Receivables	24,760	(5,247)
Advances and prepaid expenses	(4,959)	179,584
Trade and other payables	(1,420,491)	(1,326,804)
	(5,351,548)	(10,225,460)
Cash flows to investing activity		
Purchase of equipment	-	(32,470)
	-	(32,470)
Cash flows from financing activities		
Proceeds from issuance of shares	5,783,000	11,502,617
Share issue costs	(571,247)	(774,143)
	5,211,753	10,728,474
Change in cash for the period	(139,795)	470,544
Cash, beginning of period	883,225	1,712,162
Cash, end of period	\$ 743,430	\$ 2,182,706
Non-cash investing and financing activities		
Broker warrants issued as consideration for finder's fees	\$ 185,104	\$ 191,568
Shares issued for trade and other payables	830,128	-
Allocation of share-based reserve on exercise of options	22,699	-
Allocation of share-based reserve on exercise of broker warrants	-	189,827
Supplementary information		
Interest paid	-	-
Income taxes paid	-	-

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



CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Unaudited – prepared by management)

(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Share-based reserve	Deficit	Total Shareholders' Equity
Balance, August 31, 2013	175,162,728	\$ 109,452,850	\$ 12,189,618	\$ (104,583,885)	\$ 17,058,583
Share issues:					
Private placement	30,263,159	5,750,000	-	-	5,750,000
Share issue costs	-	(756,351)	185,104	-	(571,247)
Shares issued for trade and other payables	4,369,095	830,128	-	-	830,128
Exercise of options	150,000	55,699	(22,699)	-	33,000
Share-based compensation	-	-	680,409	-	680,409
Loss and comprehensive loss	-	-	-	(4,683,481)	(4,683,481)
Balance, May 31, 2014	209,944,982	\$ 115,332,326	\$ 13,032,432	\$ (109,267,366)	\$ 19,097,392

	Number of Shares	Share Capital	Share-based reserve	Deficit	Total Shareholders' Equity
Balance, August 31, 2012	122,878,106	\$ 98,726,117	\$ 11,254,842	\$ (92,133,901)	\$ 17,847,058
Share issues:					
Private placement	49,184,955	10,820,690	-	-	10,820,690
Share issue costs	-	(965,711)	191,568	-	(774,143)
Broker warrants exercised	3,099,667	871,754	(189,827)	-	681,927
Warrants issued for financial advisory services	-	-	42,470	-	42,470
Share-based compensation	-	-	764,388	-	764,388
Loss and comprehensive loss	-	-	-	(9,939,620)	(9,939,620)
Balance, May 31, 2013	175,162,728	\$ 109,452,850	\$ 12,063,441	\$ (102,073,521)	\$ 19,442,770

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

SUNRIDGE GOLD CORP.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

(Unaudited – prepared by management)

(Expressed in Canadian dollars, except where otherwise noted)

For the nine months ended May 31, 2014

1. NATURE OF OPERATIONS AND GOING CONCERN

Sunridge Gold Corp. (the “Company” or “Sunridge”) is incorporated under the laws of the Province of British Columbia. The Company’s shares are listed on the TSX Venture Exchange (“TSXV”). The corporate office of the Company is Unit 1 - 15782 Marine Drive, White Rock, B.C., V4B 1E6.

The Company is engaged in the exploration and advancement to development of its Asmara Project in Eritrea. The Company is considered to be in the pre-production stage given the Asmara Project is not yet permitted or funded for development. The recoverability of the amounts spent for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties.

On July 4, 2012, the Eritrean National Mining Corporation (“ENAMCO”) exercised its right to acquire a 30% paid participating interest in the Company’s Asmara Project. This is in addition to ENAMCO’s existing right to be issued a 10% free carried interest that will be carried to production by the participating partners.

On January 31, 2014, the Company executed a binding term sheet with the ENAMCO regarding ENAMCO’s purchase of the 30% participating interest for US\$18,330,000, to bear interest from the date of signing a shareholders’ agreement and payable in stages prior to production (the “Purchase Price”).

On June 27, 2014, the Company and ENAMCO executed a shareholders’ agreement (the “Shareholders’ Agreement”) to organize and operate the Asmara Mining Share Company (“AMSCo”), the operating entity which will own and operate the Asmara Project. AMSCo will be owned 60% by Sunridge and 40% by ENAMCO (30% participating and 10% free carried interest) and all future project development or exploration costs will be shared two-thirds Sunridge and one-third ENAMCO.

These condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. As at May 31, 2014, the Company had working capital of \$290,399, however, on July 15, 2014, the Company received US\$2,000,000 from ENAMCO and will receive an additional US\$3,000,000 from ENAMCO by November 30, 2014 as partial payment of the Purchase Price. In addition, ENAMCO has agreed to fund the next approximately US\$6,000,000 to ASMCo before the Company is required to fund its two thirds share of ASMCo cash calls. Management estimates these funds will provide the Company with sufficient financial resources to carry out currently planned operations through the next twelve months however, the Company will need to seek additional sources of financing to bring the Asmara mine into production. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern.

These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

SUNRIDGE GOLD CORP.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

(Unaudited – prepared by management)

(Expressed in Canadian dollars, except where otherwise noted)

For the nine months ended May 31, 2014

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee.

Basis of presentation

These condensed interim financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These condensed interim financial statements do not include all the disclosures required for annual financial statements, and therefore should be read in conjunction with the Company’s audited financial statements for the year ended August 31, 2013.

Functional and presentation currency

These condensed interim financial statements are presented in Canadian dollars, which is the Company’s functional currency.

Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

Estimated useful lives of equipment

The estimated useful lives of equipment which are included in the statements of financial position will impact the amount and timing of the related depreciation included in profit or loss.

The carrying value and the recoverability of exploration and evaluation assets

Management has determined that exploration and evaluation costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, scoping and feasibility studies, accessibility of facilities and existing permits.

SUNRIDGE GOLD CORP.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

(Unaudited – prepared by management)

(Expressed in Canadian dollars, except where otherwise noted)

For the nine months ended May 31, 2014

2. BASIS OF PRESENTATION (continued)

Use of estimates and judgments (continued)**(i) Critical accounting estimates (continued)**Share-based compensation

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model which incorporates market data and which involves uncertainty and subjectivity in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in the subjective input assumptions can materially affect the fair value estimate.

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

The Company has not recorded any deferred tax assets.

(ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the statements are, but are not limited to, the following:

Determination of functional currency

In accordance with IAS 21, “The Effects of Changes in Foreign Exchange Rates” management determined that the functional currency of the Company is the Canadian dollar.

SUNRIDGE GOLD CORP.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

(Unaudited – prepared by management)

(Expressed in Canadian dollars, except where otherwise noted)

For the nine months ended May 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES

Newly adopted accounting standards and interpretations

The accounting policies applied in these condensed interim financial statements are consistent with those applied in the Company's annual financial statements for the year ended August 31, 2013, except for the following newly adopted policies:

- New standard IFRS 10 *Consolidated Financial Statements*

Provides a new single consolidation model that identifies control as the basis for consolidation for all types of entities, and replaces IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*.

- New standard IFRS 11 *Joint Arrangements*

Improves the accounting for joint arrangements by introducing a principle-based approach that requires a party to a joint arrangement to recognize its rights and obligations arising from the arrangement. Such a principle-based approach will provide users with greater clarity about an entity's involvement in its joint arrangements by increasing the verifiability, comparability and understandability of the reporting of these arrangements. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities-Non-Monetary Contributions by Venturers*.

- New standard IFRS 12 *Disclosure of Interests in Other Entities*

Combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities.

- New standard IFRS 13 *Fair Value Measurement*

Defines fair value and sets out a framework for measuring fair value and disclosures about fair value measurements. It applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRSs or address how to present changes in fair value.

- Revised standard IAS 27 *Separate Financial Statements*

As a result of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 27 has been reissued to reflect the change as the consolidation guidance has recently been included in IFRS 10. In addition, IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when the Company prepares separate financial statements.

- IAS 28 *Associates and Joint Ventures*

As a consequence of the issue of IFRS 11, IAS 28 has been amended and provides the accounting guidance for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The adoption of these new standards did not have a material effect on these condensed interim financial statements.

SUNRIDGE GOLD CORP.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

(Unaudited – prepared by management)

(Expressed in Canadian dollars, except where otherwise noted)

For the nine months ended May 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of May 31, 2014 and have not been applied in preparing these condensed interim financial statements.

Effective for annual periods beginning on or after January 1, 2014

- Amendments to IAS 32, Financial Instruments: Presentation

IAS 32 is amended to clarify the requirements for offsetting of financial assets and financial liabilities.

Indefinitely postponed, with a proposed effective date of January 1, 2018

- New standard IFRS 9, Financial Instruments

Partial replacement of IAS 39, Financial Instruments: Recognition and Measurement. This standard simplifies the current measurement model for financial instruments under IFRS and establishes two measurement categories for financial assets: amortized cost, and fair value. The existing IAS 39 categories of loans and receivables, held to maturity investments, and available for sale financial assets will be eliminated.

The Company has not early adopted these revised standards and none of these standards are expected to have a material effect on the financial statements.

4. CASH

	As at May 31, 2014	As at August 31, 2013
Canadian dollar denominated deposits held in Canada	\$ 625,483	\$ 741,630
US dollar denominated deposits held in Canada	13,825	7,421
US dollar denominated deposits held in Eritrea	88,501	62,322
Nakfa denominated deposits held in Eritrea	15,621	56,878
Ariary denominated deposits held in Madagascar	-	14,974
Total	\$ 743,430	\$ 883,225

5. RECEIVABLES

	As at May 31, 2014	As at August 31, 2013
Amounts due from the Government of Canada pursuant to HST input tax credits	\$ 9,190	\$ 31,810
Other amounts receivable	975	3,115
Total	\$ 10,165	\$ 34,925

SUNRIDGE GOLD CORP.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

(Unaudited – prepared by management)

(Expressed in Canadian dollars, except where otherwise noted)

For the nine months ended May 31, 2014

6. ADVANCES AND PREPAID EXPENSES

	As at May 31, 2014	As at August 31, 2013
Advances held by suppliers in Eritrea	\$ 4,965	\$ 5,418
Advances held by suppliers in Madagascar	-	14,683
Prepaid expenses in Canada	28,710	21,062
Prepaid expenses in Eritrea	12,805	358
Total	\$ 46,480	\$ 41,521

7. EXPLORATION AND EVALUATION ASSETS

	Asmara Projects, Eritrea	Besakoa Project, Madagascar	Total
Acquisition Costs			
At August 31, 2013	\$ 18,672,672	\$ -	\$ 18,672,672
Additions	-	-	-
At May 31, 2014	\$ 18,672,672	\$ -	\$ 18,672,672

Asmara Project, Eritrea

The Company holds three exploration licenses in Eritrea that comprise the Asmara Project: the Medrizien exploration license on which the Emba Derho and Kodadu deposits are located; the Debarwa exploration license on which the Debarwa and Adi Rassi deposits are located; and the Adi Nefas exploration license on which the Adi Nefas and Gupo deposits are located. The exploration licenses are subject to historical underlying agreements: Albert J. Perry holds a 2% net profits interest on all three licenses; and WMC (Overseas) Pty Limited will be entitled to the first US\$860,000 of revenue derived from the sale of any minerals mined from the Debarwa license.

The Company's exploration licenses that constitute the Asmara Project were due for renewal on May 22, 2014, and while the Company has filed the application, it is waiting for the official notification from the Ministry of Energy & Mines of The State of Eritrea that the exploration licenses have been extended until May 22, 2015.

On July 4, 2012, the Eritrean National Mining Corporation ("ENAMCO") exercised its right to acquire a 30% paid participating interest in the Company's Asmara Project. This is in addition to ENAMCO's existing right to be issued a 10% free carried interest that will be carried to production by the participating partners.

On January 31, 2014, the Company executed a binding term sheet with the ENAMCO regarding ENAMCO's purchase of the 30% participating interest for US\$18,330,000, to bear interest from the date of signing a shareholders' agreement and payable in stages prior to production (the "Purchase Price").

SUNRIDGE GOLD CORP.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

(Unaudited – prepared by management)

(Expressed in Canadian dollars, except where otherwise noted)

For the nine months ended May 31, 2014

7. EXPLORATION AND EVALUATION ASSETS (continued)

Asmara Project, Eritrea (continued)

On June 27, 2014, the Company and ENAMCO executed a shareholders' agreement (the "Shareholders' Agreement") to organize and operate the Asmara Mining Share Company ("AMSCo") the operating entity which will own and operate the Asmara Project. AMSCo will be owned 60% by Sunridge and 40% by ENAMCO (30% participating and 10% free carried interest) and will have a board of directors of five, comprising three from Sunridge and two from ENAMCO. Pursuant to the Shareholders' Agreement, the parties have agreed that ENAMCO will contribute one-third of the funding of expenditures on the Asmara Project, including exploration and development retroactive to July 4, 2012, the date ENAMCO delivered its notice of intention to exercise its full purchase option. Since then, Sunridge has contributed approximately US\$12,000,000 to the Asmara Project and now ENAMCO has agreed to fund the next approximately US\$6,000,000 to AMSCo for their portion of retroactive contributions to the Asmara Project. Subsequently all future project development or exploration costs will be shared two-thirds Sunridge and one-third ENAMCO.

Payment of the Purchase Price shall be made as follows:

- US\$2,000,000 on signing the Shareholders' Agreement (received July 15, 2014)
- US\$1,000,000 by September 30, 2014
- US\$1,000,000 by October 30, 2014
- US\$1,000,000 by November 30, 2014

The balance of the Purchase Price (US\$13,330,000) will be paid in installments beginning upon signing a finance agreement that secures a significant portion of the financing required to develop the Asmara Project (the "Financing Agreement"):

- US\$6,000,000 on signing the Financing Agreement
- US\$4,000,000 6 months after signing the Financing Agreement
- US\$3,330,000 12 months after signing the Financing Agreement

From the date of execution of the Shareholders Agreement until payment of the Purchase Price is made in full, ENAMCO shall pay interest to the Company at a rate of LIBOR plus 3%.

The Purchase Price has not been recorded as a receivable in the financial statements as at May 31, 2014 as the Shareholders' Agreement was not finalized until June 27, 2014.

The exploration licenses subject to historical underlying agreements are against the Company's 60% interest in AMSCo.

SUNRIDGE GOLD CORP.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

(Unaudited – prepared by management)

(Expressed in Canadian dollars, except where otherwise noted)

For the nine months ended May 31, 2014

7. EXPLORATION AND EVALUATION ASSETS (continued)

Besakoa Project, Madagascar

The Company had an option to acquire up to a 100% interest in a mineral exploration property held in Daraina Exploration S.A.R.L. (“Daraina”), a subsidiary of Majescor Resources Inc. (“Majescor”). The Besakoa mineral exploration property is held by Daraina and located in Madagascar.

Pursuant to the September 15, 2008 (as amended June 19, 2009) option agreement, the Company earned a 50% interest in the property by having completed the following: issued 500,000 common shares of the Company and incurred \$2,000,000 work expenditures by September 15, 2011.

On January 20, 2014, the Company forfeited its beneficial 50% interest in the Besakoa property to Majescor. Accordingly, the Company has no further ownership, right or entitlements to Daraina or any interest in the Besakoa mineral exploration license.

Exploration and evaluation expenditures	Nine months ended May 31,	
	2014	2013
Asmara Projects, Eritrea		
Assays	\$ 81,894	\$ 817,208
Communications	78,175	79,665
Community development	2,518	2,476
Contractors and consultants	1,006,776	4,495,118
Drilling	-	639,698
Environment	258,240	261,534
Equipment rental costs	4,281	37,905
Field support and consumables	58,649	139,849
Salaries	186,198	375,515
Travel and accommodation	154,011	158,814
Vehicle running costs	34,982	74,771
	1,865,724	7,082,553
Besakoa Project, Madagascar		
Assays	-	5,092
Communications	-	572
Contractors and consultants	-	26,797
Field support and consumables	29,075	13,371
License fees	-	11,263
Professional fees	-	3,152
Vehicle running costs	-	159
	29,075	60,406
Exploration and evaluation expenditures	\$ 1,894,799	\$ 7,142,959

SUNRIDGE GOLD CORP.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

(Unaudited – prepared by management)

(Expressed in Canadian dollars, except where otherwise noted)

For the nine months ended May 31, 2014

8. EQUIPMENT

	Canada		Eritrea				Total
	Office and computer equipment	Leasehold improvements	Office equipment	Camp buildings and Communication equipment	Vehicles		
Cost							
At August 31, 2013	\$ 145,219	\$ 39,243	\$ 101,815	\$ 305,188	\$ 340,695	\$ 310,971	\$ 1,243,131
Assets acquired	-	-	-	-	-	-	-
At May 31, 2014	\$ 145,219	\$ 39,243	\$ 101,815	\$ 305,188	\$ 340,695	\$ 310,971	\$ 1,243,131
Accumulated depreciation							
At August 31, 2013	\$ 101,770	\$ 33,381	\$ 75,678	\$ 219,029	\$ 340,695	\$ 286,043	\$ 1,056,596
Depreciation for the period	6,518	959	8,745	26,281	-	9,711	52,214
At May 31, 2014	\$ 108,288	\$ 34,340	\$ 84,423	\$ 245,310	\$ 340,695	\$ 295,754	\$ 52,214
Carrying amounts							
At August 31, 2013	\$ 43,449	\$ 5,862	\$ 26,137	\$ 86,159	\$ -	\$ 24,928	\$ 186,535
At May 31, 2014	\$ 36,931	\$ 4,903	\$ 17,392	\$ 59,878	\$ -	\$ 15,217	\$ 134,321

9. TRADE AND OTHER PAYABLES

	As at May 31, 2014	As at August 31, 2013
Trade and other payables in Canada	\$ 141,879	\$ 188,317
Trade and other payables in Eritrea	235,119	2,519,992
Trade and other payables in Madagascar	-	152
Due to directors	81,750	40,875
Due to officers	50,928	10,959
Total	\$ 509,676	\$ 2,760,295

SUNRIDGE GOLD CORP.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

(Unaudited – prepared by management)

(Expressed in Canadian dollars, except where otherwise noted)

For the nine months ended May 31, 2014

10. SHARE CAPITAL

a) Authorized share capital

Unlimited common shares without par value

b) Issued share capital

The Company had 209,944,982 common shares issued and outstanding as at May 31, 2014 (August 31, 2013 – 175,162,728). See the Condensed Interim Statements of Changes in Equity for a summary of changes in share capital and share-based reserve for the nine months ended May 31, 2014 and 2013.

Share issuances for the nine months ended May 31, 2014 were as follows:

- In October 2013, the Company completed a brokered private placement by issuing 19,258,318 units at a price of \$0.19 per unit for gross proceeds of \$3,659,080. Concurrent with the brokered private placement, the Company also completed a non-brokered private placement by issuing 11,004,841 units at a price of \$0.19 per unit for gross proceeds of \$2,090,920. Gross proceeds from both private placements totalled \$5,750,000 through the issuance of 30,263,159 units. Each unit consists of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.35 until October 18, 2017.

In relation to the brokered private placement, the Company paid a commission of \$341,010 in cash and issued 1,794,789 broker warrants. Each broker warrant entitles the holder to purchase one unit at a price of \$0.19 per unit until October 18, 2017. Additional cash share issue costs were \$230,237.

The broker warrants were issued at a value of \$185,104 using the Black-Scholes pricing model at the followings assumptions: a risk free interest rate of 1.68%; an expected volatility of 71.82%, an expected life of 3.99 years; and an expected dividend of zero.

In addition, the Company settled outstanding trade and other payables in the aggregate amount of \$830,128 by issuing 4,369,095 units on the same terms as above. The parties to the trade and other payables are at arm's length to the Company.

- In May 2014, the Company issued 150,000 common shares on the exercise of options for gross proceeds of \$33,000.

SUNRIDGE GOLD CORP.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

(Unaudited – prepared by management)

(Expressed in Canadian dollars, except where otherwise noted)

For the nine months ended May 31, 2014

10. SHARE CAPITAL (continued)

c) Share purchase warrants

The continuity for share purchase warrants for the nine months ended May 31, 2014 is as follows:

Expiry date	Exercise price	Balance, August 31, 2013	Issued	Exercised	Expired	Balance, May 31, 2014
August 8, 2014	\$1.00	1,000,000	-	-	-	1,000,000
November 17, 2015	\$1.40	19,418,000	-	-	-	19,418,000
October 18, 2017	\$0.35	26,142,304	-	-	-	26,142,304
October 18, 2017	\$0.35	-	34,632,254	-	-	34,632,254
		46,560,304	34,632,254	-	-	81,192,558
Weighted average exercise price		\$0.80	\$0.35	\$0.00	\$0.00	\$0.61

d) Broker warrants

The continuity for broker warrants for the nine months ended May 31, 2014 is as follows:

Expiry date	Exercise price	Balance, August 31, 2013	Issued	Exercised	Expired	Balance, May 31, 2014
October 18, 2017	\$0.22	28,429	-	-	-	28,429 *
October 18, 2017	\$0.19	-	1,794,789	-	-	1,794,789 **
		28,429	1,794,789	-	-	1,823,218
Weighted average exercise price		\$0.22	\$0.19	\$0.00	\$0.00	\$0.19

*Exercisable into one unit with each unit consisting of one common share and one-half of one common share purchase warrant

**Exercisable into one unit with each unit consisting of one common share and one common share purchase warrant

e) Stock options

The Company has a shareholder approved “rolling” stock option plan (the “Plan”) in compliance with the TSX Venture Exchange’s policies. Under the Plan the maximum number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding common shares at the time of granting. The exercise price of each stock option shall not be less than the market price of the Company’s stock at the date of grant.

SUNRIDGE GOLD CORP.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

(Unaudited – prepared by management)

(Expressed in Canadian dollars, except where otherwise noted)

For the nine months ended May 31, 2014

10. SHARE CAPITAL (continued)

e) Stock options (continued)

The continuity for stock options for the nine months ended May 31, 2014 is as follows:

Expiry date	Exercise price	Balance, August 31, 2013	Granted	Exercised	Expired	Balance, May 31, 2014
September 18, 2013	\$0.35	200,000	-	-	(200,000)	-
June 11, 2014	\$0.47	1,430,000	-	-	(10,000)	1,420,000 *
September 7, 2015	\$0.50	312,500	-	-	-	312,500
November 5, 2015	\$1.37	3,125,000	-	-	(175,000)	2,950,000
September 29, 2016	\$0.55	4,100,000	-	-	(300,000)	3,800,000
January 9, 2018	\$0.22	6,000,000	-	(150,000)	(300,000)	5,550,000
March 12, 2019	\$0.26	-	5,300,000	-	-	5,300,000
		15,167,500	5,300,000	(150,000)	(985,000)	19,332,500
Weighted average exercise price		\$0.58	\$0.26	\$0.22	\$0.55	\$0.49

*Expired unexercised

As at May 31, 2014, 16,607,500 stock options were exercisable.

f) Share-based compensation

During the nine months ended May 31, 2014, the Company recorded \$680,409 (2013 - \$764,388) in share-based compensation for options vested during the period.

On March 12, 2014, the Company granted 5,300,000 stock options to directors, officers, employees and consultants with certain vesting provisions at a total fair value of \$969,370. The fair value of the options granted was determined using the Black-Scholes pricing model with the following assumptions: a risk free interest rate of 1.43%, an expected volatility of 85%, an expected life ranging of 5 years, and a zero dividend for a weighted average fair value per option of \$0.18.

SUNRIDGE GOLD CORP.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

(Unaudited – prepared by management)

(Expressed in Canadian dollars, except where otherwise noted)

For the nine months ended May 31, 2014

11. RELATED PARTY TRANSACTIONS

- a) The Company's related parties consist of companies owned in whole or in part by executive officers and directors as follows:

Name	Nature of transactions
Golden Oak Corporate Services Limited	Consulting for corporate compliance, and financial reporting

The Company incurred the following fees in the normal course of operations in connection with companies owned by key management and directors.

	Three months ended May 31,		Nine months ended May 31,	
	2014	2013	2014	2013
Consulting fees	\$ 30,000	\$ 30,000	\$ 90,000	\$ 90,000

- b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel, which include the amounts disclosed above, during the nine months ended May 31, 2014 and 2013 were as follows:

	Three months ended May 31,		Nine months ended May 31,	
	2014	2013	2014	2013
Salaries	\$ 215,000	\$ 215,000	\$ 603,750	\$ 645,000
Director fees	40,875	40,875	122,625	122,625
Consulting fees	30,000	30,000	90,000	90,000
Share-based compensation	551,909	80,151	551,909	573,369
	\$ 837,784	\$ 366,026	\$ 1,368,284	\$ 1,430,994

Amounts due to related parties are disclosed in Note 9.

12. SEGMENTED INFORMATION

The Company operates only in the mineral exploration sector within one geographic segment being the Asmara Project in Eritrea. Notes 7 and 8 provides disclosure of geographic location of capital assets.