Sage Gold Inc.
(formerly Sahelian Goldfields Inc.)
Consolidated Financial Statements
For the years ended September 30, 2005 and 2004

Auditors' Report

To the Shareholders of
Sage Gold Inc (formerly Sahelian Goldfields Inc).

We have audited the consolidated balance sheets of Sage Gold Inc (formerly Sahelian Goldfields Inc) as at September 30, 2005 and 2004 and the consolidated statements of operations and deficit and cash flows for the years respectively then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2005 and 2004 and the results of its operations and its cash flows for the two years respectively then ended in accordance with Canadian generally accepted accounting principles.

(signed) BDO Dunwoody LLP

Chartered Accountants

Toronto, Ontario
November 18, 2005 (Except Note 17, as of January 27, 2006)

Sage Gold Inc. (formerly Sahelian Goldfields Inc.)
Consolidated Balance Sheets

September 30		**2005**		2004
Assets				
Current				
Cash and cash equivalents	**$**	**620,704**	$	991,087
GST receivable		**110,062**		40,414
Prepaid expenses and sundry assets		**4,335**		5,920
		735,101		1,037,421
Deferred cost (Note 3)		**-**		22,224
Mineral properties (Note 4)		**1,070,123**		204,473
Equipment, net of accumulated amortization (Note 5)		**11,095**		12,478
	$	**1,816,319**	$	1,276,596
Liabilities and Shareholders' Equity				
Current				
Accounts payable and accrued liabilities	**$**	**133,871**	$	77,024
Shareholders' equity				
Share capital (Note 6)		**2,895,770**		1,654,490
Warrants (Note 7)		**99,767**		-
Contributed surplus (Note 8)		**517,951**		369,000
Deficit		**(1,831,040)**		(823,918)
		1,682,448		1,199,572
	$	**1,816,319**	$	1,276,596

Approved on behalf of the Board:

(signed) Patrick J. Mars Director

(signed) C. Nigel Lees Director

Sage Gold Inc. (formerly Sahelian Goldfields Inc.)

Consolidated Statements of Operations and Deficit

For the years ended September 30	**2005**	2004
Expenses		
General and administrative (includes stock-based compensation of $139,232 (2004 - $269,000))	**$ 954,215**	$ 758,633
Amortization	**3,436**	1,867
Write-off of deferred costs (Note 3)	**51,657**	-
	1,009,308	760,500
Other income		
Interest received	**2,186**	5,583
Net loss for the year	**(1,007,122)**	(754,917)
Deficit, beginning of year	**(823,918)**	(69,001)
Deficit, end of year	**$ (1,831,040)**	$ (823,918)
Loss per common share (Note 11)	**$ (0.050)**	$ (0.088)

The accompanying notes are an integral part of the financial statements.

Sage Gold Inc. (formerly Sahelian Goldfields Inc.)

Consolidated Statements of Cash Flows

For the years ended September 30	2005	2004
Cash flows provided by (used in)		
Operating activities		
Net loss for the year	**$(1,007,122)**	$ (754,917)
Adjustments to reconcile net loss to net cash provided by operating activities		
Amortization	**3,436**	1,867
Stock-based compensation (Note 8)	**139,232**	269,000
Write-off of deferred costs	**51,657**	-
Changes in non-cash working capital balances		
Increase in GST receivable, prepaid expenses and sundry assets	**(68,063)**	(41,144)
Change in accounts payable and accrued liabilities	**56,848**	(203,991)
	(824,012)	(729,185)
Investing activities		
Deferred costs	**(29,433)**	(7,224)
Additions to mineral properties	**(784,834)**	(89,473)
Additions to equipment	**(2,052)**	(14,345)
	(816,319)	(111,042)
Financing activities		
Issuance of shares, net of costs	**1,269,948**	1,794,538
Net increase (decrease) in cash during the year	**(370,383)**	954,311
Cash and cash equivalents, beginning of the year	**991,087**	36,776
Cash and cash equivalents, end of the year	**$ 620,704**	$ 991,087

The accompanying notes are an integral part of the financial statements.

Sage Gold Inc. (formerly Sahelian Goldfields Inc.)

Consolidated Statements of Mining Properties Expenditures

For the years ended September 30, 2005 and 2004

Additions to Mineral Properties

For the year ended September 30, 2005

	Kerrs Property	Malartic Property	Pony Spur (*)	Triple Junction (**)	Other	Total Expenditures
Property acquisition costs	$ 47,237	$ 1,778	$ 194,576	$ -	$ -	$ 243,591
Consulting	37,011	-	143,041	17,424	-	197,476
Transportation	133	-	-	-	-	133
Drilling	178,920	-	-	-	-	178,920
Assays, Analysis	26,923	-	998	-	-	27,921
Travel	20,461	-	17,184	3,755	-	41,400
Geophysical	28,853	9,581	61,766	-	-	100,200
Geochemical	20,053	-	20,601	-	-	40,654
Geological	22,432	-	771	-	-	23,203
Equipment	2,634	-	-	-	-	2,634
Advances	-	-	3,488	-	-	3,488
Miscellaneous	-	-	5,409	608	13	6,030
	$ 384,657	$ 11,359	$ 447,834	$ 21,787	$ 13	$ 865,650

For the year ended September 30, 2004

	Kerrs Property	Malartic Property	Pony Spur (*)	Triple Junction (**)	Other	Total Expenditures
Property acquisition costs	$ 148,932	$ -	$ -	$ 1,200	$ -	$ 150,132
Consulting	-	-	-	4,231	-	4,231
Transportation	-	-	-	-	-	-
Drilling	-	-	-	-	-	-
Assays, Analysis	-	-	-	-	-	-
Travel	-	-	-	12,058	-	12,058
Geophysical	-	-	-	-	-	-
Geochemical	-	-	-	-	-	-
Geological	27,108	-	-	-	-	27,108
Equipment	-	-	-	-	-	-
Advances	-	-	-	-	-	-
Professional fees	-	-	-	634	-	634
Miscellaneous	5,558	-	-	-	4,752	10,310
	$ 181,598	$ -	$ -	$ 18,123	$ 4,752	$ 204,473

(*) The Pony Spur project is comprised of the following four properties: Pony Spur, Corridors, Sugarloaf and Dike

(**) The Triple Junction project is comprised of the following two properties: Triple Junction and Dixie Fork.

1. The Company and its History

Incorporation, Name Change and Stock Consolidation

Sage Gold Inc. (formerly Sahelian Goldfields Inc.) ("Sage" or the "Company") is a public company. Since its inception, the business of the Company has consisted of the acquisition, exploration and development of mineral properties. The Company was formed on October 1, 1997 pursuant to the Business Corporations Act (Ontario) by way of Articles of Amalgamation upon the amalgamation of Sahelian Goldfields Ltd. and Sahelian Goldfields Inc. The Company consolidated its shares on a one for twenty-five basis on March 3, 2005 and changed its name to Sage Gold Inc. The stock consolidation has been reflected in these consolidated financial statements and all applicable references as to the number of shares and per share information has been restated.

Basis of Presentation

These consolidated financial statements have been prepared on the basis of a going concern, which contemplates that the Company will be able to realize assets and discharge liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon attaining profitable operations and obtaining sufficient financing to meet its liabilities, its obligations with respect to operating expenditures and expenditures required on its mineral properties.

2. Summary of Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with accounting principles and industry practices generally accepted in Canada.

Consolidation

During the year, the Company incorporated and consolidated Sage Mining Inc., a wholly-owned US subsidiary. All material intercompany transactions between the Company and its subsidiary have been eliminated in these consolidated financial statements.

Use of estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less.

Mineral properties

All direct costs associated with exploration properties are capitalized as incurred. If the property proceeds to development of the mine, these costs become part of preproduction and development costs of the mine. If a property is abandoned or continued exploration is not deemed appropriate in the foreseeable future, the related costs and expenditures are written off.

The amounts capitalized at any time represent costs to be charged to operations in the future and do not necessarily reflect the present or future values of particular properties.

The recoverability of amounts shown for mineral properties 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 the property and upon future profitable production or, alternatively, upon the Company's ability to dispose of its interest on an advantageous basis, all of which are uncertain.

2. Summary of Significant Accounting Policies (Continued)

Equipment and related amortization

Office equipment is recorded at cost less accumulated amortization. Amortization is recorded on the declining balance basis at an annual rate of 20%.

Computer equipment is recorded at cost less accumulated amortization. Amortization is recorded on the declining balance basis at an annual rate of 30%.

Stock-based compensation

CICA Handbook Section 3870 requires that compensation cost for option awards to employees be recognized in the consolidated financial statements at fair value for options granted in fiscal years beginning on or after January 1, 2004. The Company, as permitted by CICA Handbook Section 3870, adopted this section prospectively in the prior year for option awards granted on or after October 1, 2003.

Income taxes

Income taxes are calculated using the asset and liability method of tax accounting. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and on unclaimed losses carried forward and are measured using the substantially enacted tax rates that will be in effect when the differences are expected to reverse or losses are expected to be utilized. A valuation allowance is recognized to the extent that the recoverability of future income tax assets is not considered more likely than not.

Loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted loss per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants.

Financial instruments

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair values of its financial instruments approximate their carrying values, unless otherwise noted.

Flow-Through Shares

Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective tax rate) thereby reducing share capital.

If a company has sufficient unused tax losses and deductions (“losses") to offset all or part of the future income tax liabilities and no future income tax assets have been previously recognized on such losses, a portion of such unrecognized losses (losses multiplied by the effective corporate tax rate) is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

2. Summary of Significant Accounting Policies (Continued)

Foreign currency translation

Assets and liabilities of integrated foreign subsidiary operations and foreign currency denominated assets and liabilities of Canadian operations are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. The revenues and expenses, except amortization, are converted at the average exchange rates for the year. Amortization is converted at the same rate as the related assets. Gains or losses on translation are expensed.

3. Deferred Costs

Deferred cost relates to expenses incurred with respect to mineral properties that the Company considers for acquisition. Upon completion of the acquisition of the mineral properties, the cost is capitalized to the mineral properties. Should the properties not be acquired the cost will be written off in the period the acquisition prospect is abandoned.

During the year, the Company wrote-off all costs and expenses associated with properties that the Company is no longer considering for acquisition.

4. Mineral Properties

Accumulated costs with respect to the Company's interest in mineral properties owned, leased or under option, consisted of the following:

Description	Opening September 30, 2004	Additions	**Ending September 30, 2005**
CANADA			
Kerrs Property (i)	$ 181,598	$ 384,657	**$ 566,255**
Malartic (i)(H)	-	11,359	**11,359**
Other	4,752	13	**4,765**
	186,350	396,029	**582,379**
UNITED STATES			
Triple Junction and Dixie Fork (ii)	18,123	21,787	**39,910**
Pony Spur, Dike, Corridors and Sugarloaf Properties (iii)	-	447,834	**447,834**
	18,123	469,621	**487,744**
	$ 204,473	$ 865,650	**$ 1,070,123**

4. Mineral Properties (Continued)

Description	Opening September 30, 2003	Additions	Ending September 30, 2004
CANADA			
Kerrs Property (i)	$ -	$ 181,598	$ 181,598
Other	-	4,752	4,752
	-	186,350	186,350
UNITED STATES			
Triple Junction and Dixie Fork (ii)	-	18,123	18,123
	$ -	$ 204,473	$ 204,473

(i) Pursuant to an agreement entered into on April 28, 2003 between the Company and Newmont Canada Limited ("Newmont"), the Company issued 10,000,000 (400,000 post-consolidation) common shares to acquire the Newmont mineral properties with the value being attributed to the Kerrs Property on acquisition, as described below:

(A) Kerrs Lease - 100% interest in 12 leases located in Kerrs Township, Ontario.
(B) Barlow 1 Claims - 62.5% interest in 15 claims located in Barlow Township, Quebec
(C) Fancamp 2 Claims - 100% interest in 4 claims located in Fancamp Township, Quebec
(D) Fort Chimo Gold 1 - 75% interest in 15 claims located in map reference Lac St. Pierre,Quebec (all 15 of which have now expired)
(E) Fort Chimo Gold 2 - 75% interest in 19 claims located in map reference Rougement, Quebec (1 of which has now expired)
(F) Fort Chimo Gold 3 - 75% interest in 15 claims located in map reference Chute de la Pyrite, Quebec
(G) La Dauversiere 1 - 100% interest in 9 claims located in La Dauversiere Township, Quebec (all 9 of which have now expired)
(H) Malartic 1-96 - 100% interest in 32 claims located in Cadillac and Malartic Townships, Quebec (18 of which have now expired, leaving 14 active claims)

The agreement also provides for a one time cash payment to Newmont in the amount of US $1 million payable within ten business days of a decision by the Company to construct a commercial mining operation on any of the properties forming part of the agreement. In addition, Newmont is entitled to a Net Smelter Return (“Royalty”) of 1% if the gold price is less than or equal to US$350 per ounce; 1.5% if the gold price is greater than US$350 but less than or equal to US$400 and 2% if the gold price is greater than US$400 per ounce.

Five additional un-surveyed claims adjoining the leases and claims were staked in October and November 2003. On November 7, 2003 an option agreement was signed, resulting in the acquisition of one unsurveyed claim adjacent to the northern portion of the Kerrs lease. Sage is entitled to earn a 100% interest, subject to a Royalty of 1.5%, by completing a 3 year exploration program involving expenditures of $15,000 in year 1, $50,000 in year 2 and $100,000 in year 3. In addition cash payments need to be made to the holder of the claim of $5,000 in year 1 (paid), $10,000 in year 2 (paid) and $20,000 in year 3(paid subsequent to the year-end) resulting in 100% interest in the claims. The Royalty can be purchased for $500,000. . The option was exercised on December 21, 2005 enabling Sage to assume 100% ownership of the claim.

An additional 1,500,000 (60,000 post-consolidation) common shares were issued to a director as a finders fee in connection with the acquisition of the Kerrs Property.

4. Mineral Properties (Continued)

On September 6, 2005, the Company signed an option agreement with certain individuals ("the Vendors") to acquire a 100% interest in a mining claim ("the Property") contiguous to the Company's Kerrs Property, in Kerrs Township, called Larder Lake Mining Division, Ontario, on the following terms: on signing, the Company shall issue 67,000 Common Shares, and pay $5,000 in cash to the Vendors. During the first year (late 2005 and 2006), the Company shall expend $15,000 on the Property. On the first anniversary, the Company shall issue the equivalent of $5,000 in Sage Common Shares, and pay $10,000 in cash to the Vendors. During the second year, the Company will expend $35,000 on the Property. On the second anniversary, the Company shall issue the equivalent of $10,000 in Sage Common Shares, and pay $15,000 in cash to the Vendors. During the third year, the Company will expend $70,000 on the Property.

The Vendors will retain a Royalty of 1.5% on gold and a 1.5% gross overriding royalty on diamonds. Both Royalties can be purchased by the Company for $300,000 each in cash.

(ii) On September 9, 2004, the Company executed an option agreement with Atna Resources Ltd. and Atna Resources Inc. ("Atna") to acquire up to a 70% undivided interest in the Triple Junction and Dixie Fork claims in the Rain District within the Carlin Trend in Elko County, Nevada. Triple Junction comprises 36 lode claims for 720 acres and Dixie Fork comprises 31 lode claims for 620 acres.

If the Company completes 15,000 feet of drilling by November 26, 2006, it can elect to either, immediately form a joint venture, with the Company holding a 55% interest and Atna holding 45% or elect to fund and carry out sufficient work to complete a bankable feasibility study to earn a 70% interest. The properties are subject to a Net Smelter Return ("NSR") of 3% which can be purchased for US $1,000,000 per percentage point. The Company has the right to terminate the agreement at any time without penalty up to October 8, 2008.

Subsequent to the year end, Sage and Atna Resources Ltd. and Atna Resources Inc. have agreed to amend the option agreement regarding the interest of the Company in the Triple Junction and Dixie Fork exploration properties in Nevada. For the consideration of issuing 500,000 common shares of Sage, Atna has agreed to extend the length of the option by one year to November 30, 2007, and to reduce Sage's total drilling commitment on the properties from 15,000 feet to 10,000 feet.

(iii) On October 13, 2004, the Company closed the first tranche of payments to earn 100% interest in four properties: Pony Spur, Dike, Corridors and Sugarloaf. The properties are located in the Carlin-Rain Trend and Midas Trend, Nevada. The Company will earn its interests through increasing annual payments of cash and shares over a five year period, which commenced with a US $40,000 cash payment and the issuance of 7,600,000 (304,000 post share-consolidation) common shares valued at US $60,000 ($75,816 Canadian). Remaining option payments for each property for the next five years total US $77,500 and common shares valued at US $100,000. However, should the Company expend US $1,000,000 on any of the properties during the five-year option period, it will not be required to make any further cash or share option payments due after that time and will have earned its 100% interest in that particular property. The Company can terminate the agreements at any time without penalty. Upon exercise of the option, the vendor will retain a 3% NSR on each property. The NSR can be purchased for US $1,000,000 per percentage point.

5. Equipment

	Cost	Accumulated Amortization	Net Carrying Amount **2005**	2004
Office equipment	$ 7,752	$ 1,801	**$ 5,951**	$ 5,130
Computer equipment	8,645	3,501	**5,144**	7,348
	$ 16,397	$ 5,302	**$ 11,095**	$ 12,478

6. Share Capital

(a) Authorized
Unlimited number of common shares

(b) Issued

Common shares	Number of Shares	Amount
Balance, September 30, 2003	57,958,945	$ (345,068)
Property acquisition (Note 4(i))	10,000,000	100,000
Shares issued as finders fee for mineral property (Note 4(i))	1,500,000	15,000
Conversion of Series 1 special warrants (c)(i)(ii)	76,008,000	190,020
Conversion of Series 2 special warrants (c)(i)(ii)	200,000,000	2,000,000
Exercise of warrants (c)(iii)	66,308,000	165,770
Share adjustment	270	-
Cost of issue	-	(471,232)
Balance, September 30, 2004	411,775,215	$ 1,654,490
Property acquisition (Note 4(iii))	**7,600,000**	**75,816**
Consolidation on 1 for 25 basis (Note 1)	**(402,600,540)**	**-**
Private placement - Flow-Through common shares (d)(i)	**2,135,000**	**160,125**
Private placement - Common shares (e)(i)	**2,229,507**	**167,205**
Warrant valuation (e)(i)	**-**	**(25,640)**
Private placement - Flow-Through common shares (d)(ii)	**2,000,000**	**150,000**
Private placement - Common shares (e)(ii)	**4,983,000**	**373,725**
Warrant valuation (e)(ii)	**-**	**(42,356)**
Private placement - Flow-Through common shares (d)(iii)	**4,000,000**	**300,000**
Private placement - Flow-Through common shares (d)(iv)	**866,667**	**65,000**
Private placement - Common shares (e)(iii)	**580,000**	**43,500**
Warrant valuation (e)(iii)	**-**	**(2,030)**
Private placement - Common shares (e)(iv)	**2,203,000**	**165,225**
Warrant valuation (e)(iv)	**-**	**(29,741)**
Property acquisition (Note 4(i))	**67,000**	**5,000**
Cost of issue - Cash	**-**	**(154,831)**
Cost of issue - Compensation options	**-**	**(9,718)**
	35,838,849	**$ 2,895,770**

6. Share Capital and Capital Deficiency (Continued)

(c) Series 1 and Series 2 Special Warrants

(i) On September 25th 2003, the Company completed a private placement of 76,008,000 (3,040,320 post-consolidation) series 1 Special Warrants for a total consideration of $190,020. Each Series 1 Special Warrant entitled the holder thereof to acquire one Series 1 Unit. Each Series 1 Unit consisted of one common share in the capital of the Company and one Series 1 Warrant. Each Series 1 Warrant entitled the holder thereof to subscribe for one Common Share at a price of $0.0025 ($0.0625 post-consolidation) per Common Share at any time up to 5:00 PM (Toronto time) on September 12, 2004.

On February 12th 2004, the Company completed the sale of 200,000,000 (8,000,000 post-consolidation) Series 2 Special Warrants at a price of $0.01 ($0.25 post-consolidation) per Series 2 Special Warrant, for gross proceeds of $2,000,000. Each Series 2 Special Warrant entitled the holder to acquire one Series 2 Unit, subject to adjustment in certain circumstances. Each Series 2 Unit consists of one Common Share and one Series 2 Warrant. Subsequent to their issuance, the Series 2 Special Warrants were separated, first into units and then into Common Shares and warrants. Currently, every twenty-five (25) warrants are exercisable for one Common Share at an exercise price of $1.25 per Common Share until March 19, 2009. The sale of the Series 2 Special Warrants was carried out on a prospectus and in accordance with the terms of an agency agreement entered into between the Company and Brant Securities Limited acting as agent for the prospectus. Under the terms of this agreement, the Company agreed to pay to the agent a commission equal to 2% of the aggregate gross proceeds received by the Company from the sale of the Series 2 Special Warrants, plus an additional commission equal to 8% of the gross proceeds received by the Company from the sale of the Series 2 Special Warrants placed by the agent or its sub-agents.

As partial compensation, the Company also agreed to grant to the agent, Compensation Options exercisable to acquire that number of Series 2 Units equal to 5% of the number of Series 2 Special Warrants sold by the Company; as well as Compensation Options entitling the agent or its sub-agents to acquire that number of Series 2 Units equal to 5% of the number of Series 2 Special Warrants placed by the agent or its sub-agents. Post consolidation, each Compensation Option entitled the holder to one Series 2 Unit at an exercise price of $0.25 per Series 2 Unit, with each Series 2 Unit consisting of one Common Share and twenty-five (25) post consolidation warrants. Every twenty-five (25) post consolidation warrants are exercisable for one Common Share at a price of $1.25 per Common Share until December 24, 2005.

(ii) As of February 27, 2004, a final receipt was issued to the Company qualifying its Series 1 Units, Series 2 Units, 10,000,000 (400,000 post-consolidation) common shares pursuant to the Newmont agreement and 1,500,000 (60,000 post-consolidation) common shares as a finders fee payable to a director related to the Newmont acquisition. As at March 31, 2004, 76,008,000 (3,040,320 post-consolidation) Series 1 Special warrants converted into 76,008,000 (3,040,320 post-consolidation) Common shares and 76,008,000 (3,040,320 post-consolidation) Series 1 warrants that expire on September 12, 2004. In addition, 200,000,000 (8,000,000 post-consolidation) Series 2 special warrants were converted into 200,000,000 (8,000,000 post-consolidation) common shares and 200,000,000 Series 2 warrants that expire on March 19, 2009. The series 2 special warrants were not consolidated but were converted into units. The units consisted of one share and one warrant. The shares were consolidated but the warrants were not. The terms of the warrants were changed so that 25 warrants are exercisable for one common share at an exercise price of $1.25 per common share until March 19, 2009 20,000,000 (800,000 post-consolidation) Compensation Options that expire on December 24, 2005 were also issued. The Compensation Options carry the same terms as the Series 2 special warrants.

The value attributed to the Compensation Options was $100,000 using the Black-Scholes option pricing formula with the following assumptions: expected dividend yield - 0%; expected volatility - 100%; risk-free interest rate - 4.5%; and an expected life of 5 years.

(iii) On September 12, 2004, 66,308,000 (2,652,320 post-consolidation) warrants were exercised for proceeds of $165,770. The warrant exercise represented 87% of the Series 1 Warrants.

6. Share Capital and Capital Deficiency (Continued)

(d) Flow-Through Issuances

(i) On June 10, 2005, the Company completed the first tranche of a flow-through private placement financing with the issuance of 2,135,000 flow-through common shares at Cdn 7.5 cents per share for proceeds of $160,125. The Company intends to renounce the exploration expenditures generated by the financing subsequent to December 31, 2005. The renunciation will create a future income tax liability of approximately $60,850 which will be allocated as a cost of issuing the flow-through shares.

(ii) On July 22, 2005, the Company completed the second tranche of a flow-through private placement financing with the issuance of 2,000,000 flow-through common shares at Cdn 7.5 cents per share for proceeds of $150,000. The Company intends to renounce the exploration expenditures generated by the financing subsequent to December 31, 2005. The renunciation will create a future income tax liability of approximately $57,000 which will be allocated as a cost of issuing the flow-through shares.

(iii) On July 26, 2005, the Company completed the third tranche of a flow-through private placement financing with the issuance of 4,000,000 flow-through common shares at Cdn 7.5 cents per share for proceeds of $300,000. The Company intends to renounce the exploration expenditures generated by the financing subsequent to December 31, 2005. The renunciation will create a future income tax liability of approximately $114,000 which will be allocated as a cost of issuing the flow-through shares.

(iv) On September 6, 2005, the Company completed the fourth tranche of a flow-through private placement financing with the issuance of 866,667 flow-through common shares at Cdn 7.5 cents per share for proceeds of $65,000 The Company intends to renounce the exploration expenditures generated by the financing subsequent to December 31, 2005. The renunciation will create a future income tax liability of approximately $24,700 which will be allocated as a cost of issuing the flow-through shares.

(e) Private Placement

(i) On June 10, 2005, the Company completed the first tranche of its private placement unit financing with the issuance of 2,229,507 units for aggregate gross proceeds of $167,205. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of $0.10 per common share at any time until June 10, 2007. The value attributed to the warrants was $25,640 using the Black- Scholes option pricing formula with the following assumptions: expected dividend yield - 0%; expected volatility - 95%; risk-free interest rate - 4.0%; and an expected life of 2 years.

(ii) On July 22, 2005, the Company completed the second tranche of its private placement unit financing with the issuance of 4,983,000 units for aggregate gross proceeds of $373,725. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of $0.10 per common share at any time until July 22, 2007. The value attributed to the warrants was $42,356 using the Black-Scholes option pricing formula with the following assumptions: expected dividend yield - 0%; expected volatility - 75%; risk-free interest rate - 4.0%; and an expected life of 2 years. The Company issued an additional 160,000 Compensation Options as part of this private placement.

The value attributed to the Compensation Options was $2,720 using the Black Scholes option pricing formula with the following assumptions: expected dividend yield - 0%; expected volatility - 75%; risk-free interest rate - 4.0%; and an expected life of 2 years.

6. Share Capital and Capital Deficiency (Continued)

(iii) On September 6, 2005, the Company completed the third tranche of its private placement unit financing with the issuance of 580,000 units for aggregate gross proceeds of $43,500. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of $0.10 per common share at any time until September 6, 2007. The value attributed to the warrants was $2,030 using the Black Scholes option pricing formula with the following assumptions: expected dividend yield - 0%; expected volatility - 75%; risk-free interest rate - 4.0%; and an expected life of 2 years. The Company issued an additional 320,000 Compensation Options as part of this private placement. The value attributed to the Compensation options was $2,240 using the Black-Scholes option pricing formula with the following assumptions: expected dividend yield - 0%; expected volatility - 75%; risk-free interest rate - 4.0%; and an expected life of 2 years.

(iv) On September 22, 2005, the Company completed the fourth tranche of its private placement unit financing with the issuance of 2,203,000 units for aggregate gross proceeds of $165,225. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of $0.10 per common share at any time until September 26, 2007. The value attributed to the warrants was $29,741 using the Black-Scholes option pricing formula with the following assumptions: expected dividend yield - 0%; expected volatility - 85.71%; risk-free interest rate - 4.0%; and an expected life of 2 years. The Company issued an additional 176,240 compensation options as part of this private placement. The value attributed to the Compensation Options was $4,758 using the Black-Scholes option pricing formula with the following assumptions: expected dividend yield - 0%; expected volatility - 85.71%; risk-free interest rate - 4.0%; and an expected life of 2 years.

7. Warrants

The following is continuity of warrants for the years ended September 30, 2004 and 2005.

	Number of Warrants		Weighted Average Exercise Price
Balance, September 30, 2003	-	$	-
Warrants granted on conversion (Note 6(c)(ii)	76,008,000	$	0.0025
Warrants exercised (Note 6(c)(iii)	(66,308,000)	$	(0.0025)
Warrants expired	(9,700,000)	$	(0.0025)
Warrants granted on conversion (Note 6(c)(ii))	200,000,000	$	0.05
Balance, September 30, 2004	200,000,000	$	0.05
Consolidation of exercise price on 1 for 25 basis (Note 6(c)(i))	-	$	1.25
Granted (Note 6(e)(v))	1,114,754	$	0.10
Granted (Note 6 (e)(vii))	2,491,500	$	0.10
Granted (Note 6 (e)(x))	290,000	$	0.10
Granted (Note 6 (e)(xi)	1,101,500	$	0.10
	204,997,754	$	0.81

7. Warrants (Continued)

The following are the warrants outstanding at September 30, 2005.

Shares for Warrants	Number of Warrants		Black Scholes Value		Exercise Price	Expiry Date
1 for 25	200,000,000	$	-	$	1.25	March 19, 2009
1 for 1	1,114,754		25,640	$	0.10	June 10, 2007
1 for 1	2,491,500		42,356	$	0.10	July 22, 2007
1 for 1	290,000		2,030	$	0.10	September 6, 2007
1 for 1	1,101,500		29,741	$	0.10	September 26, 2007
	204,997,754	$	99,767			

8. Stock Options and Contributed Surplus

The Company has a Stock Option Plan (the "Plan") to provide incentive for the directors, officers, employees, consultants and service providers of the Company (and its subsidiaries). The maximum number of shares which may be set aside for issuance under the Plan is 10% of the outstanding common shares (3,583,885 maximum common shares as at September 30, 2005 (2004 – 1,647,101 maximum common shares)).

The following is continuity of options for the years ended September 30, 2004 and 2005.

	Number of Options		Weighted Average Exercise Price
Balance, September 30, 2003	-	$	-
Granted (i)	46,000,000	$	0.01
Broker options granted (Note 6 (c)(ii))	20,000,000	$	0.01
Balance, September 30, 2004	66,000,000	$	0.01
Cancelled	(11,800,000)	$	0.01
Consolidation on 1 for 25 basis (Note 1)	(52,032,000)	$	0.25
Granted (ii)	1,815,000	$	0.075
Broker options granted (Note 6 (e)(vii))	160,000	$	0.075
Broker options granted (Note 6 (e)(x))	320,000	$	0.075
Broker options granted (Note 6 (e)(xi))	176,240	$	0.075
	4,639,240	$	0.16

8. Stock Options and Contributed Surplus (Continued)

The following are the options outstanding and exercisable at September 30, 2005

	Number of Options		Black Scholes Value		Exercise Price	Expiry Date
Directors & Officers	1,228,000	$	246,523	$	0.25	April 26, 2009
Directors & Officers	140,000		28,640	$	0.25	May 28, 2009
Directors, Officers, Consultants and Employees	1,815,000		40,233	$	0.075	August 10, 2010
	3,183,000		315,396			
Broker's Options	800,000		100,000	$	0.25	December 24,2005
Broker's Options	160,000		2,720	$	0.075	July 22, 2007
Broker's Options	320,000		2,240	$	0.075	July 1, 2007
Broker's Options	176,240		4,758	$	0.075	September 22, 2007
	1,456,240		109,718			
	4,639,240	$	425,114			

(i) During the year ended September 30, 2004, 46,000,000 (1,840,000 post-consolidation) stock options were issued to directors and officers of the Company. The Black-Scholes option pricing model was used to value these options. The following assumptions were used to estimate this figure: expected dividend yield - 0%; expected volatility - 100%; risk-free interest rate - 4.5%; and an expected life of 5 years. These options were valued at $368,000 and were expensed in the statement of operations and deficit as they vested. The vesting terms are: one-third of the total shares under the option may be exercised at the date of the grant, one-third of the remaining total shares under the option may be exercised six months following the date of the grant and one-third of the remainder of the total shares under the option may be exercised twelve months following the date of the grant. As of September 30, 2005, an aggregate of $368,000 has been charged to the Consolidated Statements of Operations and Deficit.

(ii) During the year ended September 30, 2005, 1,815,000 stock options were issued to directors, officers, employees and consultants of the Company. The Black-Scholes option pricing model was used to value these options. The following assumptions were used to estimate this figure: expected dividend yield - 0%; expected volatility - 100%; risk-free interest rate - 4.0%; and an expected life of 5 years. These options were valued at $99,000 and were expensed in the statement of operations and deficit as they vested. The vesting terms are: one-third of the total shares under the option may be exercised at the date of the grant, one-third of the remaining total shares under the option may be exercised six months following the date of the grant and one-third of the remainder of the total shares under the option may be exercised twelve months following the date of the grant. As of September 30, 2005, $40,233 has been charged to the Consolidated Statements of Operations and Deficit.

8. Stock Options and Contributed Surplus (Continued)

The following is a continuity of contributed surplus for the years ended September 30, 2004 and 2005.

		Contributed Surplus
Balance, September 30, 2003	$	-
Broker options granted		100,000
Stock options vested (April 26, May 28, 2004)		269,000
Balance, September 30, 2004		369,000
Stock options vested (April 26, May 28, 2004)		**99,000**
Stock options vested (August 16, 2005)		**40,233**
Broker options granted		**9,718**
Balance, September 30, 2005	**$**	**517,951**

9. Related Party Transactions

The Company had the following related party transactions:

	For the Years Ended September 30			
		2005		2004
Administrative and general expenses				
Consulting fees to current and former directors and officers	**$**	**241,500**	$	193,000
Mineral properties				
Consulting fees to directors and officers	**$**	**11,325**	$	21,500
Deferred costs				
Finder fee (Note 4)	**$**	**-**	$	15,000
Legal fees to a legal firm whose partner is a former director				
Share issue costs	**$**	**-**	$	71,712
General legal services		**98,470**		69,337

These transactions were recorded at the exchange amount.

Included in accounts payable are the following amounts due to related parties:

To directors and officers	**$**	**22,813**	$	31,716
To the legal firm whose partner is a former director	**$**	**9,237**	$	26,396

10. Income Taxes

The following table reconciles the expected income tax recovery at the statutory income tax rate to the amounts recognized in the statements of operations:

	2005	2004
Net loss reflected in the statements of operations	**$ 1,007,122**	$ 754,917
Expected income tax recovery at statutory rate	**363,772**	273,620
Permanent differences	**11,645**	70,985
Tax rate change	**(769)**	(1,901)
Valuation allowance	**(374,648)**	(342,704)
Income tax recovery reflected in the statement of operations	**$ -**	$ -

The following table reflects the future income tax assets at September 30, 2005 and 2004.

	2005	2004
Future income tax assets		
Non-capital losses	**$ 588,583**	$ 232,366
Capital assets and mineral properties	**103,856**	98,528
Share issue costs	**149,674**	136,571
	842,113	467,465
Less unrecognized amount	**(842,113)**	(467,465)
	$ -	$ -

At September 30, 2005, the Company had unclaimed exploration and development expenditures and undepreciated capital costs of $1,267,236 unamortized common share issue costs of $414,378 and non-capital losses of $1,626,052 available to reduce future taxable income. These losses expire in 2010, 2011 and 2015.

11. Loss Per Share

The following table sets out the computation for basic and diluted loss per share:

	2005	2004
Numerator		
Loss for the period	**$ (1,007,122)**	$ (754,917)
Denominator		
Average number of common shares outstanding	**20,296,828**	8,547,391
Basic and diluted loss per share	**$ (0.050)**	$ (0.088)

The effect of common share purchase options and warrants on the net loss in 2005 and 2004 is not reflected as to do so would be anti-dilutive.

The loss per share amounts have been restated to reflect the one for twenty-five share consolidation which occurred during the year.

12. Supplemental Cash Flow Information

		2005		2004
Non-cash financing activities				
Shares issued	**$**	**(80,816)**	$	(115,000)
Agent's compensation for private placement		**9,718**		100,000
Non-cash investing activities				
Mineral properties	**$**	**80,816**	$	115,000

13. Commitments

The Company leases its office space under a lease agreement which expires in February 2011. Annual lease payments under the agreement are as follows:

2006	$	24,500
2007		42,000
2008		44,333
2009		46,000
2010		48,333
2011		20,833
	$	225,999

14. Contingencies

In 1997, the Company bought an exclusive option from Ashanti Gold (the "Option Agreement") in a mining license, an exploration license and related assets forming part of the Poura gold mine (collectively, the "Poura Mine Assets") situated in Burkina Faso, West Africa. The Poura Mine Assets were owned by the Government of Burkina Faso and Soremib, a state mining Company (hereinafter collectively referred to as the "Government"). In late August 1999, the Government failed to meet its obligations under the Option Agreement which resulted in the Company's insolvency. The Company has reserved all of its rights and recourses against the Government, having a claim against it in damages for an amount equal to its liabilities prior to the proposal (the “Proposal”) (See "Proposal under the Bankruptcy and Insolvency Act (Canada)).

Given the failure of the Government to meet its obligations under the Option Agreement and the Company's resulting insolvency, on July 20, 2001, Sage, acting through its trustee, KPMG Inc., Toronto (the "Trustee"), filed a Proposal to its creditors under the Bankruptcy and Insolvency Act (Canada) (the "BIA"). The Proposal, the Trustee's report and overview of the Proposal describing the financial circumstances of Sage's financial difficulties were sent to the Company's creditors in accordance with BIA provisions. As of the date of filing of the Proposal, Sage’s creditors were stayed from taking action against the Company. Sage was never placed into receivership nor into bankruptcy.

The Proposal provided inter alia that all creditors were to receive Common Shares in the share capital of Sage at a price of $0.02 per share, in a number based on $0.10 for each Canadian dollar in proved claims (the "Proposal Shares"). Proved claims were converted to Canadian dollars based on the foreign exchange rate in effect on July 20, 2001

14. Contingencies (Continued)

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The Proposal also required the approval of Sage's creditors, the Ontario Superior Court of Justice in Bankruptcy (the "Ontario Court"), the approval of Sage's shareholders and the relevant regulatory authorities, namely the OSC and BCSC.

On August 8, 2001, the Proposal was approved by the majority of Sage's creditors at a meeting duly convened and held for such purpose.

On September 6, 2001, the Ontario Court issued an Order approving the Proposal unconditionally.

On May 21, 2002 the majority of Sage's shareholders approved the Proposal and the issuance of shares therein provided, at a Special Meeting of shareholders duly convened and held for such purpose.

On August 23, 2002, the Trustee distributed the shares to the creditors in accordance with the terms of the Proposal and in conformity with the OSC and BCSC Orders and the OSC Ruling.

On September 5, 2002, the Trustee issued in favour of the Company, a Certificate of Full Performance of Proposal (the "Certificate") in accordance with the provisions of the BIA confirming that the terms of the Proposal were duly satisfied. As a result, Sage was released from the BIA, the Trustee discharged from its obligations and all of the creditors' claims were fully settled.

All creditors who did not file a claim with the Company will be bound by the Proposal referred to above. The Company, acting through its Trustee, has carried out all practical enquiries and other procedures to ensure that all creditors were included in the Proposal. Pursuant to the Proposal, creditors who have not filed a proof of claim will receive Common Shares in the Company at a price of $0.02 per share, in a number equal to $0.10 for each Canadian dollar in proved claims.

15. Comparative Figures

Comparative figures have been reclassified to conform with current year presentation.

16. Segmented Financial Information

The Company has been engaged, directly or indirectly in 2005 through its U.S. subsidiary, in the exploration of mineral properties in two geographical locations Canada and the United States.

The Company's operating segments have been identified based on geographic area in 2005. There are no revenues in the United States and assets are disclosed in Note 4.

17. Subsequent Events

On November 2, 2005, the Company completed its private placement unit financing through the issuance of 1,333,333 units at $0.075 per share for aggregate proceeds of $100,000. The Company has also sold an additional 466,667 units on the same terms for aggregate proceeds of $35,000. Each unit consists of one common share of the Company and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at $0.10 per common share at anytime until November 2, 2007.

17. Subsequent Events (Continued)

The Company has granted 140,000 stock options to a consulting geologist and 120,000 stock options to a financial consultant at $0.075 per share until October 26, 2010.

The Company announced that effective December 14, 2005 its common shares commenced trading on the TSX Venture Exchange under the symbol SGX. The Shares will continue to trade on the CNQ under the symbol “SAGE”.

As a condition of listing on the TSX Venture Exchange, the director, officer, consultant, and employee options that were issued at $0.075 were repriced up to $0.10.

On December 29, 2005, the Company closed a non-brokered private placement of 7,905,000 flow-through common shares at Cdn $0.10 per share for gross proceeds of $790,500. The Company also agreed to pay $52,000 in finder’s fees and granted to certain finders compensation options to acquire 516,000 common shares of the Company with each option entitling the holder to purchase one common share at $0.10 per common share up to December 29, 2007. The proceeds from the offering will be used by the Company for exploration on its properties in Ontario and Quebec.

On December 30, 2005, the Company closed a non-brokered private placement of 1,000,000 flow-through common shares at Cdn $0.14 per share for gross proceeds of $140,000. The proceeds from the offering will be used by the Company for exploration on its properties in Quebec. There were no finder’s fees paid or compensation options granted in relation to the offering.

On January 27, 2006, Sage announced that, pursuant to its 2005 Incentive Stock Option Plan, it has granted 1,290,000 options (“Options”) to acquire 1,290,000 common shares (“Shares”) of SAGE at an exercise price of $0.17 per share to members of management, the board of directors, its employees and consultants of SAGE. The Options will be exercisable for a period of five years from the date of grant.