

Sage Gold Inc.
(A Development Stage Company)

Consolidated Financial Statements
For the years ended September 30, 2007 and 2006

(Expressed in Canadian Dollars)

Management's Responsibility for Financial Statements

The accompanying consolidated financial statements and all of the data included in this report have been prepared by and are the responsibility of the management of the Company. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimates and judgments based on currently available information. The Company has developed and maintains systems of internal accounting controls in order to assure, on a reasonable and cost-effective basis, the reliability of its financial information, and that the assets are safeguarded from loss.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee of the Board which meets to satisfy itself that management's responsibilities are properly discharged and with the external auditors to review the financial statements before they are presented to the Board of Directors for approval.

The consolidated financial statements for the year ended September 30, 2007 were audited by PricewaterhouseCoopers LLP Chartered Accountants and for the year ended September 30, 2006 were audited by BDO Dunwoody LLP Chartered Accountants. Their reports outline the scope of their examination and opinion on the consolidated financial statements.

(signed)
Nigel Lees
President and Chief Executive Officer

(signed)
Art Hampson
Chief Financial Officer

Toronto, Canada
December 13, 2007

Auditors' Report

To the Shareholders of
Sage Gold Inc.

We have audited the consolidated balance sheet of Sage Gold Inc. as at September 30, 2007 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 2006 and for the year then ended prior to the adjustments described in note 14, were audited by other auditors, who expressed an opinion without reservation on those statements in their report dated December 4, 2006. We have audited the adjustments to the 2006 financial statements and in our opinion, such adjustments, in all material respects, are appropriate and have been properly applied.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Ontario, Canada
December 13, 2007

Sage Gold Inc.
(A Development Stage Company)
Consolidated Balance Sheets
(Expressed in Canadian Dollars)

September 30	2007	(Restated - Note 14) 2006
Assets		
Current		
Cash and cash equivalents	\$ 1,864,572	\$ 210,802
Short term investment (note 2)	10,000	502,723
Other assets	162,051	112,883
	2,036,623	826,408
Investment in mineral exploration company (Note 3(ii))	126,000	-
Mineral properties	5,624,593	3,128,574
Equipment, net of accumulated amortization (Note 4)	11,184	6,956
	\$ 7,798,400	\$ 3,961,938

Liabilities and Shareholders' Equity

Current		
Accounts payable and accrued liabilities	\$ 315,698	\$ 285,657
Shareholders' equity		
Share capital (Note 5(b))	8,773,856	5,047,755
Warrants (Note 6)	1,335,307	515,755
Contributed surplus	1,241,578	1,054,542
Deficit	(3,868,039)	(2,941,771)
	7,482,702	3,676,281
	\$ 7,798,400	\$ 3,961,938

Going concern (Note 1(b))

Approved on behalf of the Board:

(signed) Patrick J. Mars Director

(signed) C.Nigel Lees Director

Sage Gold Inc.

(A Development Stage Company)

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

For the years ended September 30	2007	(Restated - Note 14) 2006	Cumulative from inception September 15, 2003
Expenses			
General and administrative (Note 15)	\$ 1,219,864	\$ 1,535,900	\$ 4,461,962
Amortization	2,489	2,131	9,923
Write off of mineral properties	-	91,474	143,131
	1,222,353	1,629,505	4,615,016
Other income			
Interest received	2,085	10,183	20,037
Net loss before the following	(1,220,268)	(1,619,322)	(4,594,979)
Future income tax recovery (Note 5(c)(vii))	294,000	501,941	795,941
Net loss and comprehensive loss for the year	(926,268)	(1,117,381)	(3,799,038)
Loss per common share (Note 10)	\$ (0.01)	\$ (0.02)	

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

Sage Gold Inc.

(A Development Stage Company)

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

For the years ended September 30	2007	(Restated - Note 14) 2006	Cumulative from inception September 15, 2003
Share capital			
Balance at beginning of year	\$ 5,047,755	\$ 2,895,770	\$ (345,068)
Conversion of special warrants	-	-	2,190,020
Private placement - Flow-through common shares	3,572,660	930,500	5,178,285
Private placement - Common shares	1,039,765	2,336,799	4,126,219
Finder's fees	30,000	-	30,000
Warrants valuation	(911,983)	(423,323)	(1,435,073)
Mineral property acquisitions	135,572	72,778	404,166
Exercise of warrants	423,300	31,892	620,962
Exercise of warrants valuation	82,177	7,335	89,512
Exercise of compensation options	16,812	400	17,212
Exercise of compensation options valuation	8,406	200	8,606
Exercise of broker options	49,218	-	49,218
Exercise of broker options valuation	9,718	-	9,718
Exercise of stock options	18,500	-	18,500
Exercise of stock options valuation	10,091	-	10,091
Cost of issue - Cash	(339,579)	(246,399)	(1,112,041)
Cost of issue - Finder's fees	(30,000)	-	(30,000)
Cost of issue - Compensation options	(94,556)	(56,256)	(260,530)
Cost of Issue - Flow-through renunciation	(294,000)	(501,941)	(795,941)
Balance at end of year	\$ 8,773,856	\$ 5,047,755	\$ 8,773,856
Warrants			
Balance at beginning of year	\$ 515,755	\$ 99,767	\$ 190,020
Conversion to common shares	-	-	(190,020)
Warrants granted	911,983	423,323	1,435,073
Transfer to share capital on exercise of warrants	(82,177)	(7,335)	(89,512)
Expired warrants	(10,254)	-	(10,254)
Balance at end of year	\$ 1,335,307	\$ 515,755	\$ 1,335,307

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

Sage Gold Inc.
(A Development Stage Company)
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

For the years ended September 30	2007	(Restated - Note 14) 2006	Cumulative from inception September 15, 2003
Contributed surplus			
Balance at beginning of year	\$ 1,054,542	\$ 517,951	\$ -
Compensation options granted	94,556	56,256	250,812
Compensation options exercised	(8,406)	(200)	(8,606)
Broker options granted	-	-	9,718
Broker options exercised	(9,718)	-	(9,718)
Stock options exercised	(10,091)	-	(10,091)
Stock options granted	110,441	480,535	999,209
Expired warrants	10,254	-	10,254
Balance at end of year	\$ 1,241,578	\$ 1,054,542	\$ 1,241,578
Deficit			
Balance at beginning of year (restated - Note 14)	\$ (2,941,771)	\$ (1,824,390)	\$ (69,001)
Net loss for the year	(926,268)	(1,117,381)	(3,799,038)
Balance at end of year (restated - Note 14)	\$ (3,868,039)	\$ (2,941,771)	\$ (3,868,039)
Total shareholders' equity	\$ 7,482,702	\$ 3,676,281	\$ 7,482,702

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

Sage Gold Inc.
(A Development Stage Company)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

For the years ended September 30	2007	(Restated - Note 14) 2006	Cumulative from inception September 15, 2003
Cash flows provided by (used in)			
Operating activities			
Net loss for the year	\$ (926,268)	\$ (1,117,381)	\$ (3,799,038)
Items not affecting cash:			
Amortization	2,489	2,131	9,923
Future income tax recovery	(294,000)	(501,941)	(795,941)
Stock-based compensation	92,617	351,721	845,920
Investment in mineral exploration company	(126,000)	-	(126,000)
Write-off of mineral properties	-	91,474	143,131
Changes in non-cash working capital balances:			
Change in other assets	(49,168)	1,514	(156,861)
Change in accounts payable and accrued liabilities	30,041	152,693	35,591
	(1,270,289)	(1,019,789)	(3,843,275)
Investing activities			
Disposal of (purchase of) short term investments	492,723	(502,723)	(10,000)
Deferred costs	-	-	(36,657)
Additions to mineral properties	(2,342,623)	(1,941,683)	(5,158,613)
Additions to equipment	(6,717)	-	(23,114)
Proceeds from sale of computer equipment	-	1,100	1,100
	(1,856,617)	(2,443,306)	(5,227,284)
Financing activities			
Issuance of shares, net of costs	4,780,676	3,053,193	10,898,355
Net increase (decrease) in cash and cash equivalents during the year	1,653,770	(409,902)	1,827,796
Cash and cash equivalents, beginning of the year	210,802	620,704	36,776
Cash and cash equivalents, end of the year	\$ 1,864,572	\$ 210,802	\$ 1,864,572

Supplemental Cash Flow Information (Note 11)

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

Sage Gold Inc.
(A Development Stage Company)
Consolidated Statements of Mineral Properties
(Expressed in Canadian Dollars)

For the years ended September 30	2007	(Restated - Note 14) 2006	Cumulative from inception of project
Kerrs Property, Canada (Notes 3(i) and (ii))			
Opening balance	\$ 1,566,990	\$ 572,905	\$ -
Property acquisition costs	15,218	35,000	224,330
Claim management and other property maintenance costs	7,387	36,277	65,722
Geological consulting and services	39,335	109,612	205,137
Geochemistry	-	14,500	34,553
Geophysics	-	-	28,853
Consulting	3,750	25,333	66,094
Assays and analyses	-	25,433	52,356
Travel and accommodation	2,353	56,431	79,378
Drilling	350	691,499	870,769
Equipment	-	-	2,634
Miscellaneous	-	-	5,557
Earn-in	(155,840)	-	(155,840)
Activity during the period	(87,447)	994,085	1,479,543
Closing balance	\$ 1,479,543	\$ 1,566,990	\$ 1,479,543
Malartic Property, Canada (Note 3(i))			
Opening balance	\$ 34,481	\$ 11,359	\$ -
Property acquisition costs	-	-	1,778
Claim management and taxes	1,265	4,064	5,329
Geological consulting and services	7,125	19,058	26,183
Geophysics	-	-	9,581
Earn-in	(30,160)	-	(30,160)
Activity during the period	(21,770)	23,122	12,711
Closing balance	\$ 12,711	\$ 34,481	\$ 12,711
Lincoln Gold Property, Canada (Note 3(iii))			
Opening balance	\$ -	\$ -	\$ -
Property acquisition costs	-	25,015	25,015
Written off	-	(25,015)	(25,015)
Activity during the period	-	-	-
Closing balance	\$ -	\$ -	\$ -

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

Sage Gold Inc.
(A Development Stage Company)
Consolidated Statements of Mineral Properties
(Expressed in Canadian Dollars)

For the years ended September 30	2007	(Restated - Note 14) 2006	Cumulative from inception of project
Onaman Property, Canada (Note 3 (iv))			
Opening balance	\$ 606,327	\$ -	\$ -
Property acquisition costs	36,797	59,526	96,323
Claim management and taxes	902	902	1,804
Geological consulting and services	178,227	360,163	538,390
Geophysics	89,947	5,117	95,064
Consulting	-	14,150	14,150
Assays and analyses	56,077	25,044	81,121
Travel and accommodation	53,985	47,075	101,060
Drilling and linecutting	341,817	31,343	373,160
Equipment rental	18,786	24,912	43,698
Field expenses	8,408	-	8,408
Advance	54,858	-	54,858
Other	30,631	38,095	68,726
Activity during the period	870,435	606,327	1,476,762
Closing balance	\$ 1,476,762	\$ 606,327	\$ 1,476,762
Jacobus Property, Canada (Note 3(v))			
Opening balance	\$ 103,648	\$ -	\$ -
Property acquisition costs	60,613	31,274	91,887
Claim management and taxes	443	-	443
Assays and analysis	57,513	-	57,513
Geological consulting and services	185,798	72,374	258,172
Site preparation	146,254	-	146,254
Geophysics	186,828	-	186,828
Travel and accommodation	44,401	-	44,401
Drilling and linecutting	631,258	-	631,258
Equipment rental	22,134	-	22,134
Field expenses	51,295	-	51,295
Advance	16,800	-	16,800
Other	14,201	-	14,201
Activity during the period	1,417,538	103,648	1,521,186
Closing balance	\$ 1,521,186	\$ 103,648	\$ 1,521,186

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

Sage Gold Inc.
(A Development Stage Company)
Consolidated Statements of Mineral Properties
(Expressed in Canadian Dollars)

For the years ended September 30	2007	(Restated - Note 14) 2006	Cumulative from inception of project
Nicole Property, Canada (Note 3(vi))			
Opening balance	\$ -	\$ -	\$ -
Property acquisition costs	5,000	-	5,000
Geological consulting and services	58,658	-	58,658
Activity during the period	63,658	-	63,658
Closing balance	\$ 63,658	\$ -	\$ 63,658
Other, Canada			
Opening balance	\$ -	\$ 4,765	\$ -
Miscellaneous	-	-	4,765
Written off	-	(4,765)	(4,765)
Activity during the period	-	(4,765)	-
Closing balance	\$ -	\$ -	\$ -
Total Mineral Properties in Canada	\$ 4,553,860	\$ 2,311,446	\$ 4,553,860

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

Sage Gold Inc.
(A Development Stage Company)
Consolidated Statements of Mineral Properties
(Expressed in Canadian Dollars)

For the years ended September 30	2007	(Restated - Note 14) 2006	Cumulative from inception of project
Triple Junction and Dixie Fork Properties, United States (Note 3 (vii))			
Opening balance	\$ 84,572	\$ 39,910	\$ -
Property acquisition costs	-	-	633
Claim management and taxes	8,794	-	9,994
Claims staking	-	10,710	10,710
Geophysics	1,042	20,000	21,042
Consulting	-	10,185	31,840
Travel and accommodation	-	3,767	19,581
Miscellaneous	6,918	-	7,526
Activity during the period	16,754	44,662	101,326
Closing balance	\$ 101,326	\$ 84,572	\$ 101,326
Pony Spur, Dike, Corridors and Sugarloaf Properties, United States (Note 3(viii))			
Opening balance	\$ 722,012	\$ 447,834	\$ -
Property acquisition costs	46,065	146,875	387,516
Advances	-	-	3,488
Geological consulting and services	-	16,817	17,588
Geochemistry	-	10,836	31,437
Geophysics	29,162	74,483	165,411
Consulting	3,163	52,634	198,838
Travel and accommodation	2,905	3,081	23,170
Renewal fees and bond reclamation	38,087	30,593	68,680
Field expenses	758	-	758
Road repairs	8,627	-	8,627
Miscellaneous	1,745	553	7,707
Recovery of costs	(32,057)	-	(31,059)
Impairment charge - Sugarloaf	-	(61,694)	(61,694)
Activity during the period	98,455	274,178	820,467
Closing balance	\$ 820,467	\$ 722,012	\$ 820,467

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

Sage Gold Inc.
(A Development Stage Company)
Consolidated Statements of Mineral Properties
(Expressed in Canadian Dollars)

For the years ended September 30	2007	(Restated - Note 14) 2006	Cumulative from inception of project
Big Bend Gold Property, United States (Note 3(ix))			
Opening balance	\$ 10,544	\$ -	\$ -
Property acquisition costs	805	4,927	5,732
Renewal fees	1,995	-	1,995
Geological consulting and services	50	5,617	5,667
Activity during the period	2,850	10,544	13,394
Closing balance	\$ 13,394	\$ 10,544	\$ 13,394
Gold Hill Property, United States (Note 3(x))			
Opening balance	\$ -	\$ -	\$ -
Property acquisition costs	58,909	-	58,909
Geological consulting and other services services	24,299	-	24,299
Road costs	48,257	-	48,257
Advance	3,500	-	3,500
Miscellaneous	581	-	581
Activity during the period	135,546	-	135,546
Closing balance	\$ 135,546	\$ -	\$ 135,546
Total Mineral Properties in United States	\$ 1,070,733	\$ 817,128	\$ 1,070,733
TOTAL	\$ 5,624,593	\$ 3,128,574	\$ 5,624,593

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

Sage Gold Inc.

(A Development Stage Company)

Notes to Consolidated Financial Statements

(Expressed in Canadian Dollars)
September 30, 2007 and 2006

1. Nature of Operations and Going Concern

(a) Incorporation, Name Change and Stock Consolidation

Sage Gold Inc. ("Sage" or the "Company") is a public corporation. 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 1:25 basis on March 3, 2005 and changed its name to Sage Gold Inc.

(b) Going concern assumption

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles ("Canadian GAAP") applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business. However, the Company is in the development stage and is subject to the risks and challenges similar to other companies in a comparable stage of development. These risks include, but are not limited to, dependence on key individuals, successful development and the ability to secure adequate financing to meet the minimum capital required to successfully complete the project and continue as a going concern. There is no assurance that these initiatives will be successful and as a result there is substantial doubt regarding the going concern assumption. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

2. Summary of Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

Consolidation

The consolidated financial statements include those of the Company and its wholly-owned U.S. subsidiary Sage Mining Inc. 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. These estimates are reviewed periodically and, as adjustments become necessary, they are made in the period in which they become known.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and cash held in trust, which may be settled on demand or within a maximum 90-day period.

Sage Gold Inc.
(A Development Stage Company)
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)
September 30, 2007 and 2006

2. Summary of Significant Accounting Policies (Continued)

Short term investment

The short term investment consists of a Guaranteed Investment Certificate bearing interest at 3.50% maturing September 4, 2008.

Mineral properties

All direct costs associated with exploration properties are capitalized as incurred. If the property proceeds to development, 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 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.

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

The Company has a stock option plan that is described in Note 7. The fair value of stock options granted to directors, officers, consultants and employees is recorded as an expense or capitalized to mineral properties over the vesting period with a corresponding increase recorded to contributed surplus. The fair value of stock-based compensation is determined using the Black-Scholes option pricing model and management's assumptions as disclosed in Note 7. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

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 likely.

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.

Sage Gold Inc.
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Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)
September 30, 2007 and 2006

2. Summary of Significant Accounting Policies (Continued)

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.

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 recorded through earnings.

New accounting pronouncements

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No.166, Accounting Policy Choice for Transaction Costs (EIC-166). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice to be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company has adopted EIC-166 effective September 30, 2007 which requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, Financial Instruments - Recognition and Measurement. The Company has evaluated the impact of EIC-166 and determined that no adjustments are currently required.

Sage Gold Inc.
(A Development Stage Company)
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)
September 30, 2007 and 2006

2. Summary of Significant Accounting Policies (Continued)

Change in accounting policy

In January 2005, the CICA issued Handbook Sections 3855, "Financial Instruments – Recognition and Measurement", 1530, "Comprehensive Income", 3861, "Financial Instruments – Presentation and Disclosure" and 3865, "Hedges". These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis. The Company has adopted these new standards effective October 1, 2006.

(a) Financial instruments - recognition and measurement

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This Section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition;
- All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and
- All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

(b) Comprehensive income (loss)

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. Comprehensive income includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

(c) Hedges

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. Section 3865 replaces and expands on Accounting Guideline 13 "Hedging Relationships", and the hedging guidance in Section 1650 "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

(d) Impact upon adoption of Sections 1530, 3855 and 3865

Under adoption of these new standards, the Company designated its cash and short term investment as held-for-trading, which are measured at fair value. Other assets are classified as loans and receivables, which are measured at amortized cost. Investment in Sheltered Oak Resources Inc., a private company, is measured at cost as the investment does not have a quoted market price in an active market. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The adoption of these Handbook Sections had no impact on opening deficit.

Sage Gold Inc.
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Notes to Consolidated Financial Statements
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September 30, 2007 and 2006

2. Summary of Significant Accounting Policies (Continued)

Future accounting changes

Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation. These standards are effective for interim and annual consolidated financial statements for the Company's reporting period beginning on October 1, 2007.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments — Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how a company manages those risks.

The Company is currently assessing the impact of these new accounting standards on its consolidated financial statements.

3. Mineral Properties

CANADA

(i) Newmont Agreement Property

Pursuant to an agreement entered into on April 28, 2003 between the Company and Newmont Canada Limited ("Newmont"), the Company issued 400,000 (10,000,000 pre-consolidation) common shares to acquire the Newmont mineral properties, as described below:

- (A) Kerrs Lease - 100% interest in 12 claims 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
- (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)

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3. Mineral Properties (Continued)

(i) Newmont Agreement Property (Continued)

The agreement also provides for a one time cash payment to Newmont in the amount of US\$1,000,000 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 ("NSR") 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 has earned a 100% interest, subject to a NSR 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 were made to the holder of the claim of \$5,000 in year 1, \$10,000 in year 2 and \$20,000 in year 3 resulting in 100% interest in the claims. The NSR can be purchased for \$500,000.

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

(ii) Kerrs - Kidston/Dyment Property

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 signing, the Company issued 67,000 Common Shares (valued at \$5,000), and paid \$5,000 in cash to the Vendors. During the first year (late 2005 and 2006), the Company spent \$15,000 on the property. On the first anniversary, the Company issued the equivalent of \$5,000 in Sage Common Shares (issued 42,373 Common Shares), and paid \$10,000 cash to the Vendors. To keep this option in good standing, the Company is required to expend \$35,000 on the property during the second year (spent \$68,353). On the second anniversary, the Company issued the equivalent of \$10,000 in Sage Common Shares (issued 71,685 Common Shares), and paid \$15,000 in cash to the Vendors. During the third year, the Company is required to expend \$70,000 on the property.

The Vendors will retain a NSR 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.

As of September 30, 2006, the Company owns 100% of the mining claims due to a final payment of \$20,000, which was paid to the vendor on December 21, 2005. The royalty of 1.5% can be purchased for \$500,000.

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3. Mineral Properties (Continued)

Newmont Agreement Property and Kerrs - Kidston/Dyment Property

In February 2007, Sage entered into a three year option agreement with Sheltered Oak Resources Inc. (a private Ontario corporation, "OAK") whereby OAK may earn a 55% interest in the Kerrs property and a 100% interest in the Chibougamau and Malartic properties.

In order to earn the interest in each property, OAK will pay cash and incur exploration expenditures on each property over the term of the agreement as follows:

Kerrs:	\$200,000 in cash plus \$1,800,000 for exploration expenditures
Chibougamau:	\$105,000 in cash plus \$265,000 for exploration expenditures
Malartic:	\$55,000 in cash plus \$150,000 for exploration expenditures

On April 19, 2007, OAK issued Sage 180,000 common shares in the capital of OAK valued at \$126,000 and granted Sage the right to purchase by way of private placement 500,000 common shares of OAK at any time within a period of three years at a price of \$1.00 per share from the date on which the common shares are listed for trading on a recognized Stock Exchange.

During the option period Sage shall be the operator responsible for all prospecting, exploration, development and mining operations of the Sage properties and will receive a management fee equivalent to 15% of the exploration expenditures.

On August 3, 2007 Sage amended the option agreement with OAK, whereby OAK will pay for all expenses and fees relating to negotiations and studies with respect to the Memorandum of Understanding and Advisory Agreement with The First Nations. All payments made by OAK shall be credited against management fees payable by OAK to Sage, other than those payments made by OAK which qualify as flow-through expenses, which payments will be credited against the required exploration spending by OAK in the option agreement.

On December 1, 2007, a further amendment was agreed to whereby the timing of the future cash payments and related expenditures was postponed for six months.

As of September 30, 2007, a payment of \$60,000 was received from OAK allocated as follows: Kerrs - \$40,000, Chibougamau - \$10,000 and Malartic - \$10,000.

(iii) Lincoln Gold Property

On May 16, 2006, the Company signed an option agreement with N.W.T. Copper Mines Limited to earn a 100% interest in the Lincoln Gold Property located near Beardmore, Ontario. The option agreement includes total cash payments of \$75,000 (\$25,000 paid) and work commitments of \$325,000 over a three year term to earn into a 100% interest in the property. The vendors retain a 3% NSR on precious metals and 2% on base metals. The Company can repurchase 1 percentage point of the royalty for \$1,000,000.

As of September 30, 2006, the Company determined that no further expenditures were planned on the property, and accordingly the property was written off.

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3. Mineral Properties (Continued)

(iv) Onaman Property

On May 3, 2006, the Company signed an option agreement with two unrelated individuals to earn a 100% interest in the Onaman property located 50km east of Beardmore, Ontario. This option agreement includes total cash payments of \$75,000 (\$50,000 paid) by the Company to the vendors, the issuance of 200,000 Sage shares (150,000 issued and valued at \$18,500) and total work commitments by the Company of \$325,000 over a three year term (completed) to earn into a 100% interest in the property. The vendors retain a 2% NSR on base metals and 3% NSR on precious metals. The Company can repurchase 1 percentage point of the royalty interest for \$1,000,000.

(v) Jacobus Property

On May 16, 2006, the Company signed an option agreement with N.W.T. Copper Mines Limited to earn a 100% interest in the Jacobus Property located near Beardmore, Ontario. The option agreement includes total cash payments of \$75,000 (\$50,000 paid) and a total work commitment of \$325,000 over a three year term (completed) to earn into a 100% interest in the property. The vendor retains a 2% NSR on base metals and 3% for precious metals. The Company can repurchase 1 percentage point of the royalty interest for \$1,000,000.

(vi) Nicole Property

In January 2007, Sage signed an agreement with Diagnos Inc. whereby Sage was granted an option to acquire a 100-per-cent interest in the Nicole property in the Abitibi region. The project consists of 10 claims covering approximately 563 hectares of terrain in the Barlow Townships in Quebec.

The Company paid Diagnos Inc. \$40,000 in cash for the property, including consulting services. Furthermore, on the property upon which an economic discovery is made, a bonus of a 2% NSR will be granted to Diagnos Inc. The Company will have the option to acquire 1-per-cent of this NSR for \$750,000 any time within five years of the economic discovery. Moreover, Sage will have the option to acquire additional properties from Diagnos Inc. in Quebec.

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3. Mineral Properties (Continued)

UNITED STATES

(vii) Triple Junction and Dixie Fork Properties

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 at the south end of 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.

Under the agreement, if the Company completed 15,000 feet of drilling by November 26, 2006, it could 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 royalty 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.

On October 15, 2005, the Company and Atna agreed to amend the original option agreement. For the consideration of issuing 500,000 common shares of the Company, valued at \$20,000, Atna agreed to extend the length of the option by one year to November 30, 2007, and to reduce the Company's total drilling commitment on the properties from 15,000 feet to 10,000 feet.

Subsequent to year-end, the Company announced that it has executed an extension to the option agreement with Atna. The term of the Option Agreement has been extended until November 30, 2009. In consideration for the extension of the Option Agreement, Sage issued 350,000 common shares to Atna Resources Ltd on October 23, 2007, for a total value of \$66,500.

(viii) Pony Spur, Dike, Corridors and Sugarloaf Properties

On October 13, 2004, the Company remitted the first tranche of payments to earn a 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 304,000 (7,600,000 pre-consolidation) common shares valued at US \$60,000 (\$75,816 Canadian). On July 31, 2006, the Company amended and restated the option agreements, whereby the remaining option payments are US \$75,000 (fully paid as at October 8, 2007) and common shares valued at US \$127,500 (fully issued as of October 8, 2007). However, should the Company expend US \$1,000,000 on any of the properties during the 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.

During the year ended September 30, 2007, the Company issued 270,288 (2006 - 329,112) common shares valued at \$67,572 (2006 - \$34,778) as part of its obligation to acquire the Pony Spur, Dike and Corridors Properties.

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3. Mineral Properties (Continued)

(ix) Big Bend Gold Property

On March 23, 2006, the Company obtained an exploration permit on 160 acres on the Big Bend Gold Property ("Big Bend") that is located in Yavapai County, Arizona. Big Bend is approximately 100 miles northwest of Phoenix, Arizona, west of Highway 93.

(x) Gold Hill Property

On March 8, 2007, Sage closed an option agreement to earn a 50% undivided interest in the mineral rights of the Gold Hill property. The property comprises six patented mining claims located in Maricopa County, Arizona.

Sage will have an option to earn a 50% undivided interest in the mineral rights and be the operator of the Gold Hill property by fulfilling the following;

- (a) On the closing date issuing 500,000 common shares (issued and valued at \$52,500).
- (b) Expending US\$250,000 in exploration within 12 months.
- (c) Issuing US \$50,000 worth of common shares to the vendor at the first anniversary.

The vendor completed a \$289,725 (US \$250,000) private placement financing with Sage and received 2,500,000 common shares on April 2, 2007. The vendor will retain a 2.5% NSR on the property.

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4. Equipment

	Cost	Accumulated Amortization	Net Carrying Amount 2007
Office equipment	\$ 10,335	\$ 4,201	\$ 6,134
Computer equipment	8,776	3,726	5,050
	\$ 19,111	\$ 7,927	\$ 11,184

	Cost	Accumulated Amortization	Net Carrying Amount 2006
Office equipment	\$ 7,752	\$ 2,991	\$ 4,761
Computer equipment	4,642	2,447	2,195
	\$ 12,394	\$ 5,438	\$ 6,956

5. Share Capital

(a) Authorized
Unlimited number of common shares

(b) Issued

Common shares	Number of Shares	Amount
Balance, September 30, 2005	35,838,849	\$ 2,895,770
Private placement - Common shares (d)(i)	1,800,000	135,000
Warrant valuation (d)(i)	-	(27,000)
Private placement - Flow-through common shares (c)(i)	7,905,000	790,500
Cost of issue - Compensation options (c)(i)	-	(25,800)
Private placement - Flow-through common shares (c)(ii)	1,000,000	140,000
Mineral property acquisitions	971,485	72,778
Exercise of warrants	318,920	31,892
Exercise of warrants valuation	-	7,335
Exercise of compensation options	4,000	400
Exercise of compensation options valuation	-	200
Private placement - Common shares (d)(ii)	10,990,000	1,099,000
Warrant valuation (d)(ii)	-	(197,820)
Private placement - Common shares (d)(iii)	11,027,990	1,102,799
Warrant valuation (d)(iii)	-	(198,504)
Cost of issue - Cash	-	(246,398)
Cost of issue - Compensation options (d)(iv)	-	(30,456)
Cost of issue - Flow-through renunciation (c)(vii)	-	(501,941)
Balance, September 30, 2006 (restated - Note 14)	69,856,244	\$ 5,047,755

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5. Share Capital (Continued)

(b) Issued (Continued)

Common shares	Number of Shares	Amount
Balance, September 30, 2006	69,856,244	\$ 5,047,755
Private placement - Flow-through common shares (c)(iii)	8,750,427	1,225,060
Private placement - Common shares (d)(v)	5,000,000	500,000
Private placement - Common shares (Note 3(x))	2,500,000	289,725
Finder's fees	300,000	30,000
Warrant valuation (d)(v)	-	(120,700)
Private placement - Flow-through common shares (c)(iv)	8,729,998	1,047,600
Warrant valuation (c)(iv)	-	(366,660)
Private placement - Common shares (d)(vi)	1,786,000	250,040
Warrant valuation (d)(vi)	-	(151,810)
Private placement - Flow-through common shares (c)(v)	6,250,000	1,000,000
Warrant valuation (c)(v)	-	(215,625)
Private placement - Flow-through common shares (c)(vi)	1,875,000	300,000
Warrant valuation (c)(vi)	-	(57,188)
Mineral property acquisitions	891,973	135,572
Exercise of warrants	4,233,000	423,300
Exercise of warrants valuation	-	82,177
Exercise of broker options	656,240	49,218
Exercise of broker options valuation	-	9,718
Exercise of compensation options	168,120	16,812
Exercise of compensation options valuation	-	8,406
Exercise of stock options	185,000	18,500
Exercise of stock options valuation	-	10,091
Cost of issue - Cash	-	(339,579)
Cost of issue - Finder's fees	-	(30,000)
Cost of issue - Compensation options	-	(94,556)
Cost of issue - Flow-through renunciation (c)(vii)	-	(294,000)
Balance, September 30, 2007	111,182,002	\$ 8,773,856

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5. Share Capital (Continued)

(c) Flow-Through Issuances

- (i) On December 29, 2005, the Company closed a non-brokered private placement of 7,905,000 flow-through common shares at \$0.10 per share for gross proceeds of \$790,500. The Company paid \$52,000 in finders' 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 fair value of the 516,000 compensation options was estimated at \$25,800 using the Black-Scholes option pricing formula with the following assumptions: expected dividend yield - 0%; expected volatility - 85.71%; risk-free interest rate - 3.61%; and an expected average life of 2 years.

- (ii) On December 30, 2005, the Company closed a non-brokered private placement of 1,000,000 flow-through common shares at \$0.14 per share for gross proceeds of \$140,000. There were no finders' fees paid or compensation options granted in relation to the offering.
- (iii) On November 24, 2006, the Company closed a non-brokered private placement of 8,750,427 flow-through shares at \$0.14 per share for gross proceeds of \$1,225,060. The Company paid \$87,869 in finders' fee and issued 463,749 finders' options. Each finder option entitles the holder to acquire one common share of the Company at any time within 24 months following the date of issuance at an exercise price of \$0.14 per share.

The fair value of the 463,749 finder options was estimated at \$29,680 using the Black-Scholes option pricing formula with the following assumptions: expected dividend yield - 0%, expected volatility - 93.11%, risk-free interest rate - 3.94% and an expected average life of 2 years.

- (iv) On July 11, 2007, Sage completed a non-brokered private placement financing of 8,729,998 flow-through common share units at \$0.12 per unit for total gross proceeds of \$1,047,600. Each unit consisted of one flow-through common share and one half of one share purchase warrant. Each whole warrant is exercisable for one common share at an exercise price of \$0.18 per share exercisable until 24 months from its date of issue. A total of 4,364,998 whole warrants were issued. In total, Sage paid \$40,912 in cash and issued finder options exercisable for 155,800 common shares as finders fees in connection with this private placement. Each finder option will be exercisable into one common share at \$0.12 per share, and will remain exercisable for 12 months from the date of issue. All securities issued will have a hold period expiring on November 12, 2007. The Company intends to renounce the exploration expenditures generated by the financing subsequent to December 31, 2007. The renunciation will create a future income tax liability of approximately \$378,393 which will be allocated as a cost of issuing the flow-through shares.

The fair value of the 4,364,998 warrants and 155,800 finder options was estimated at \$366,660 and \$12,776 respectively using the Black-Scholes option pricing formula with the following weighted-average assumptions: expected dividend yield - 0%, expected volatility - 103.3%, risk-free interest rate - 4.63% and an expected average life of 1.97 years.

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5. Share Capital (Continued)

(c) Flow-Through Issuances (Continued)

- (v) On September 1, 2007, the Company closed a non-brokered private placement of 6,250,000 of flow through units at \$0.16 per unit for total proceeds of \$1,000,000. Each unit consisted of one flow-through common share and one-half of one share purchase warrant. Each flow-through warrant is exercisable at \$0.22 for 18 months. If the Company's common shares achieve a closing price of \$0.28 or higher for a period of 21 consecutive days, the Company may notify the warrant-holders that all unexercised warrants will expire in 30 days following the date that the notice is issued. The Company paid a cash finder's fee equal to 6% of the gross flow-through proceeds and options to purchase units equal in number to 8% of the flow-through units sold. The finders' options have the same terms as the flow-through units. All securities issued are subject to a four month hold period which expires on January 1, 2008. The Company intends to renounce the exploration expenditures generated by the financing subsequent to December 31, 2007. The renunciation will create a future income tax liability of approximately \$361,200 which will be allocated as a cost of issuing the flow-through shares.

The fair value of the 3,125,000 warrants and 500,000 finder options was estimated at \$215,625 and \$41,000 respectively using the Black-Scholes option pricing formula with the following assumptions: expected dividend yield - 0%, expected volatility - 108.8%, risk-free interest rate - 4.35% and an expected average life of 1.5 years.

- (vi) On September 19, 2007, Sage closed a non-brokered private placement of 1,875,000 of flow-through units at \$0.16 per unit for total proceeds of \$300,000. Each unit consisted of one flow-through common share and one-half of one share purchase warrant exercisable at \$0.22 for 18 months. A finder's fee of 6% in cash was paid together with options were paid, on the same terms as the subscriber's units, equal to 8% of the units sold pursuant to the offering. If the Company's common shares achieve a closing price of \$0.28 or higher for a period of 21 consecutive days, the Company may notify the warrant holders that all unexercised warrants will expire in 30 days following the date that the notice is issued. All securities are subject to a four month hold period which expires on January 19, 2008. The Company intends to renounce the exploration expenditures generated by the financing subsequent to December 31, 2007. The renunciation will create a future income tax liability of approximately \$108,360 which will be allocated as a cost of issuing the flow-through shares.

The fair value of the 937,500 warrants and 150,000 finder options was estimated at \$57,188 and \$11,100 respectively using the Black-Scholes option pricing formula with the following assumptions: expected dividend yield - 0%, expected volatility - 107.8%, risk-free interest rate - 4.25% and an expected average life of 1.5 years.

- (vii) The issuance of 8,905,000 flow-through common shares in (c)(i) and (c)(ii) above and 9,001,667 flow-through common shares in fiscal year 2005 created a future income tax recovery of approximately \$501,941 which was allocated as a cost of issuing the flow-through shares at the time of renunciation for the year ended September 30, 2006.

The issuance of 8,750,427 flow-through common shares in (c)(iii) above created a future income tax recovery of approximately \$294,000 which has been allocated as a cost of issuing the flow-through shares at the time of renunciation for the year ended September 30, 2007.

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5. Share Capital (Continued)

(d) Non Flow-Through Private Placements

- (i) On November 2, 2005, the Company closed a private placement unit financing by the issuance of 1,333,333 units at \$0.075 per share for gross proceeds of \$100,000. The Company also sold an additional 466,667 units on the same terms for aggregate proceeds of \$35,000. Each unit consisted 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.

The fair value of the 900,000 warrants was estimated at \$27,000 using the Black-Scholes option pricing formula with the following assumptions: expected dividend yield - 0%; expected volatility - 85.71%; risk-free interest rate - 3.61%; and an expected average life of 2 years

- (ii) On April 13, 2006, the Company closed a non-brokered private placement of 10,990,000 units at \$0.10 per unit for gross proceeds of \$1,099,000. Each unit consisted of one common share of Sage and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of \$0.15 for the first year following the closing date and \$0.20 for the second year following the closing date.

The fair value of the 5,495,000 common share purchase warrants was estimated at \$197,820 using the Black-Scholes option pricing formula with the following assumptions: expected dividend yield - 0%; expected volatility - 84.8%; risk-free interest rate - 4.0%; and an expected life of 2 years.

- (iii) On April 25, 2006, the Company closed a non-brokered private placement of 11,027,990 units at \$0.10 per unit for gross proceeds of \$1,102,799. Each unit consisted of one common share of Sage and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of \$0.15 for the first year following the closing date and \$0.20 for the second year following the closing date.

The fair value of the 5,513,995 warrants was estimated at \$198,504 using the Black-Scholes option pricing formula with the following assumptions: expected dividend yield - 0%; expected volatility - 84.8%; risk-free interest rate - 4.0%; and an expected life of 2 years.

- (iv) In connection with the offerings in (d)(ii) and (d)(iii) above, the Company paid \$116,880 in finders' fees and granted to certain finders compensation options to acquire 648,000 common shares with each option entitling the holder to purchase one unit at the issue price any time that is 24 months from the date of closing.

The fair value of the 648,000 compensation options was estimated at \$30,456 using the Black-Scholes option pricing formula with the following assumptions: expected dividend yield - 0%; expected volatility - 84.8%; risk-free interest rate - 4.0%; and an expected life of 2 years.

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5. Share Capital(Continued)

(d) Non Flow-Through Private Placements (Continued)

- (v) On March 29, 2007, Sage completed a non-brokered private placement financing of 5.0 million Units for gross proceeds of \$500,000 and issued 5.0 million common shares, and 2.5 million share purchase warrants to acquire 2.5 million common shares. Each warrant will be exercisable at \$0.15 per common share during the first year and \$0.20 per common share during the second year after closing. A finder's fee of \$40,000 in cash, 300,000 common shares (valued at \$30,000) and 150,000 broker warrants were paid. Each broker warrant will be exercisable into common shares at \$0.20 for two years. All securities issued had a four month hold period that expired on August 1, 2007.

The fair value of the 2.5 million warrants and 150,000 broker warrants was estimated at \$115,000 and \$5,700 respectively using the Black-Scholes option pricing formula with the following assumptions: expected dividend yield - 0%, expected volatility - 91.5%, risk-free interest rate - 3.98% and an expected average life of 2 years.

- (vi) On September 1, 2007, the Company closed a non-brokered private placement of 1,786,000 non-flow through units at \$0.14 per unit for total proceeds of \$250,040. Each unit consisted of one common share and one share purchase warrant. Each non flow-through warrant is exercisable at \$0.19 for the first year following closing and \$0.25 for the second year following closing. If the Company's common shares achieve a closing price of \$0.28 or higher for a period of 21 consecutive days, the Company may notify the warrant-holders that all unexercised warrants will expire in 30 days following the date that the notice is issued. All securities issued are subject to a four month hold period which expires on January 1, 2008.

The fair value of the 1,786,000 warrants was estimated at \$151,810 using the Black-Scholes option pricing formula with the following assumptions: expected dividend yield - 0%, expected volatility - 106.4%, risk-free interest rate - 4.35% and an expected average life of 2 years.

(e) Escrow Shares

On December 2, 2005, in connection with the Company's application to list on the TSX Venture Exchange, the directors and senior officers entered into an escrow agreement whereby 2,551,679 shares were transferred to an escrow agent. Under the terms of the agreement, 25% of the total number of escrowed shares are to be released to the beneficiary shareholders on December 13, 2005, June 13, 2006, December 13, 2006 and June 13, 2007. As at September 30, 2007, no shares remained in escrow.

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6. Warrants

The following table shows the continuity of warrants for the years ended September 30, 2007 and 2006.

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2005 (1)	12,997,754	\$ 0.81
Granted	11,908,995	0.15
Exercised	(318,920)	0.10
Balance, September 30, 2006	24,587,829	0.50
Granted	12,863,498	0.20
Exercised	(4,233,000)	0.10
Expired	(445,834)	0.10
Balance, September 30, 2007	32,772,493	\$ 0.45

The following are the warrants outstanding at September 30, 2007.

	Number of Warrants	Amount	Exercise Price	Expiry Date
(1)	8,000,000	\$ -	\$ 1.25	March 19, 2009
	900,000	27,000	0.10	November 2, 2007
	5,495,000	197,820	0.20	April 18, 2008
	5,513,995	198,504	0.20	April 25, 2008
	2,500,000	115,000	0.15	March 30, 2009
	150,000	5,700	0.20	March 30, 2009
	4,364,998	366,660	0.18	July 11, 2009
	3,125,000	215,625	0.22	March 1, 2009
	1,786,000	151,810	0.19	September 1, 2009
	937,500	57,188	0.22	March 19, 2009
	32,772,493	\$ 1,335,307		

(1) The 8,000,000 warrants were initially issued as 200,000,000 warrants in March 2005 and have subsequently been consolidated on a 1:25 basis as noted in Note 1(a).

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7. Stock Options

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 subsidiary). The maximum number of shares which may be set aside for issuance under the Plan is 10% of the outstanding common shares (11,118,200 maximum common shares as at September 30, 2007) (2006 - 6,985,624 maximum common shares).

The following table shows the continuity of options for the years ended September 30, 2007 and 2006.

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2005	4,639,240	\$ 0.16
Granted	3,865,000	0.15
Compensation options granted	1,164,000	0.10
Compensation options exercised	(4,000)	0.10
Expired/Cancelled	(940,000)	0.16
Balance, September 30, 2006	8,724,240	0.14
Granted	1,640,000	0.13
Compensation options granted	1,269,549	0.15
Compensation options exercised	(168,120)	0.10
Broker options exercised	(656,240)	0.08
Exercised	(185,000)	0.10
Expired/Cancelled	(368,000)	0.25
Balance, September 30, 2007	10,256,429	\$ 0.14

During 2007, 1,640,000 (2006 - 3,865,000) stock options were granted to members of management, board of directors, employees and consultants of the Company. The following weighted average assumptions were used under the Black-Scholes option-pricing model:

	2007	2006
Expected dividend yield	0%	0%
Expected volatility	88%-100%	100%
Risk-free interest rate	4.07%-4.27%	3.61%-4.01%
Expected life	4.5 years	5 years

The total stock-based compensation calculated under the fair value method was \$143,290 (2006 - \$436,205). The weighted average fair value of options granted during fiscal 2007 is \$0.09 (2006 - \$0.11).

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7. Stock Options (Continued)

The fair value of the stock options has been expensed as follows:

	2007	(Restated - Note 14) 2006
Management fees	\$ 49,702	\$ -
Salary costs and benefits	11,470	-
Investor relations and corporate development	6,302	-
Professional fees	10,705	-
Mineral properties	17,824	128,814
Stock-based compensation	14,438	351,721
	\$ 110,441	\$ 480,535

The following table shows the options outstanding at September 30, 2007.

	Number of Options	Amount (v)	Exercise Price	Expiry Date
Consultant	250,000	\$ 7,500	\$ 0.12	February 27, 2009
Directors & Officers	860,000	172,646	0.25	April 26, 2009
Directors & Officers	140,000	28,640	0.25	May 28, 2009
Directors, Officers, Consultants & Employees	1,630,000	88,909	0.10	August 10, 2010
Consultants	260,000	20,800	0.10	October 26, 2010
Management, Directors, Employees & Consultants	1,150,000	149,500	0.17	January 27, 2011
Directors, Officers, Consultants & Employees	2,315,000	247,705	0.14	May 29, 2011
Directors, Officers, Consultants & Employees	1,090,000	99,190	0.12	March 1, 2012
Consultant	300,000	36,600	0.16	September 27, 2012
Subtotal	7,995,000	851,490		
Compensation Options	343,880	17,194	0.10	December 29, 2007
Compensation Options (i)	384,000	18,048	0.10	April 13, 2008
Compensation Options (ii)	264,000	12,408	0.10	April 25, 2008
Compensation Options	463,749	29,680	0.14	November 24, 2008
Compensation Options	155,800	12,776	0.12	July 11, 2008
Compensation Options (iii)	500,000	41,000	0.16	March 1, 2009
Compensation Options (iv)	150,000	11,100	0.16	March 19, 2009
	10,256,429	\$ 993,696		

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7. Stock Options (Continued)

- (i) Upon exercise of the 384,000 compensation options, 384,000 common shares and 192,000 warrants will be issued. The warrants have the same terms as disclosed in Note 5(d)(ii).
- (ii) Upon exercise of the 264,000 compensation options, 264,000 common shares and 132,000 warrants will be issued. The warrants have the same terms as disclosed in in Note 5(d)(iii).
- (iii) Upon exercise of the 500,000 compensation options, 500,000 common shares and 250,000 warrants will be issued. The warrants have the same terms as disclosed in in Note 5(c)(v).
- (iv) Upon exercise of the 150,000 compensation options, 150,000 common shares and 75,000 warrants will be issued. The warrants have the same terms as disclosed in in Note 5(d)(vi).
- (v) Black-Scholes value for total vested and non-vested options.

8. Related Party Transactions

The Company had the following related party transactions:

	2007	2006
Administrative and general expenses:		
Management fees to current and former directors and officers	\$ 192,000	\$ 253,500
Consulting fees to companies owned by officers of the Company	105,184	19,833
Directors fees	45,000	33,750
Mineral properties:		
Consulting fees to officer	\$ 75,446	\$ 37,225

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the parties.

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

To directors and officers	\$ 40,930	\$ 63,965
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9. 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:

	2007	(Restated - Note 14) 2006
Net loss reflected in the statements of loss and comprehensive loss	\$ (1,220,268)	\$ (1,619,322)
Expected income tax recovery at Canadian federal and provincial statutory rates	440,000	631,427
Permanent differences	(7,000)	(174,797)
Tax rate changes	131,000	(60,166)
Effect of change in temporary differences not recognized	(270,000)	42,746
Valuation allowance	-	62,731
Income tax recovery reflected in the statement of operations	\$ 294,000	\$ 501,941

The Company's income tax expense is split as follows:

Current tax expense	\$ -	\$ -
Future tax expense	(294,000)	(501,941)
Total tax expense	\$ (294,000)	\$ (501,941)

The Company's future income tax assets at September 30, 2007 and 2006 are as follows:

	2007	2006
Non-capital losses	\$ 1,358,000	\$ 1,051,273
Capital assets	3,000	32,243
Share issue costs	222,000	180,657
Resource pools	83,000	-
	1,666,000	1,264,173
Mineral properties	(784,000)	(536,791)
	882,000	727,382
Valuation allowance	(882,000)	(727,382)
	\$ -	\$ -

The Company's non-capital losses expire as follows:

Year of expiry	2010	\$ 69,000
	2011	572,000
	2015	994,000
	2026	1,368,000
	2027	1,447,000
		<u>\$ 4,450,000</u>

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10. Loss Per Share

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

	2007	(Restated - Note 14) 2006
Numerator		
Loss for the period	\$ (926,268)	\$ (1,117,381)
Denominator		
Average number of common shares outstanding	85,886,769	55,634,409
Basic and diluted loss per share	\$ (0.01)	\$ (0.02)

The effect of common share purchase options and warrants on the net loss per share in 2007 and 2006 is not reflected as to do so would be anti-dilutive.

11. Supplemental Cash Flow Information

	2007	(Restated - Note 14) 2006
Non-cash financing activities		
Shares issued	\$ (135,572)	\$ (72,778)
Agents' compensation for private placement	94,556	30,456
Non-cash investing activities		
Additions to mineral properties	\$ (153,396)	\$ (201,592)

12. Commitments

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

2008	44,333
2009	46,000
2010	48,333
2011	20,833
	<u>\$ 159,499</u>

- (b) Pursuant to the terms of the flow-through share agreements, the Company is in the process of complying with its flow-through contractual obligations with subscribers with respect to the Income Tax Act (Canada). As at September 30, 2007, the Company is committed to incurring approximately \$1,266,000 in qualifying exploration expenditures in Canada ("CEE") by December 31, 2007 arising from the flow-through offerings. It is expected that the Company may institute the look-back rule as defined by the Income Tax Act (Canada) which will require the Company to spend the funds within 12 months from the effective date of renunciation.

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13. Contingent Liability

In 1997, the Company bought an exclusive option (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 corporation (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 (as hereinafter defined).

Given the failure of the Government to meet its obligations under the Option Agreement and the Company's resulting insolvency, on July 20, 2001, the Company, acting through its trustee, KPMG Inc., Toronto, filed a proposal (the "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 the Company's financial difficulties were sent to the Company's creditors in accordance with BIA provisions. As of the date of filing of the Proposal, the Company's creditors were stayed from taking action against the Company. The Company 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 the Company at a price of \$0.02 per share, in a number based on \$0.10 for each Canadian dollar in proved claims. Proved claims were converted to Canadian dollars based on the foreign exchange rate in effect on July 20, 2001.

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

On August 8, 2001, the Proposal was approved by the majority of the Company'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 the Company'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 regulatory authorities.

On September 5, 2002, the Trustee issued in favour of the Company, a Certificate of Full Performance of Proposal in accordance with the provisions of the BIA confirming that the terms of the Proposal were duly satisfied. As a result, the Company 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 corporation 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 pre-consolidation share, in a number equal to \$0.10 for each Canadian dollar in proved claims.

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14. Restatements

As described in Note 2, the Company's accounting policy is to capitalize all costs related to the exploration and development of mineral properties. In 2007, the Company restated comparative figures as to below which reflect stock-based compensation costs that should have been capitalized to mineral properties but were previously expensed as general and administrative costs. The Company has also noted that the tax rate used to calculate the future income tax recovery in 2006 was not the substantially enacted tax rate expected at when the timing differences reverse. As a result, the Company restated the 2006 future income tax recovery amount and share capital. The restatements resulted in the following changes to the consolidated financial statements.

	As previously stated 2006	Increase (Decrease)	Restated 2006
Mineral properties	\$ 2,993,110	\$ 135,464	\$ 3,128,574
General and administrative	1,664,714	(128,814)	1,535,900
Stock-based compensation	480,535	(128,814)	351,721
Future income tax recovery	553,941	(52,000)	501,941
Net loss for the year	(1,194,195)	76,814	(1,117,381)
Loss per common shares	(0.02)	-	(0.02)
Share capital	4,995,755	52,000	5,047,755
Deficit at beginning of year	(1,831,040)	6,650	(1,824,390)
Deficit at end of year	(3,025,235)	83,464	(2,941,771)

15. General and Administrative Detail

For the years ended September 30	2007	(Restated - Note 14) 2006	Cumulative from inception September 15, 2003
Management fees	\$ 241,702	\$ 253,500	\$ 695,937
Professional fees	195,294	206,775	911,173
Salary costs and benefits	149,112	120,786	394,242
Office supplies	117,816	89,152	342,988
Investor relations and corporate development	115,025	98,411	232,746
Travel and entertainment	74,955	127,073	298,312
Accounting and corporate services	60,451	40,314	137,723
Advertising and promotion	54,788	90,623	204,447
Directors fees	45,000	33,750	78,750
Insurance	33,604	26,801	78,096
Transfer agent fees	29,685	26,230	85,762
Property holding costs	21,507	-	21,507
Listing and filing fees	21,322	51,317	114,232
Flow-through tax penalty	19,494	-	19,494
Telephone	15,694	14,879	46,366
Stock-based compensation (Note 7)	14,438	351,721	767,742
Foreign exchange loss (gain)	4,527	(1,202)	18,929
Bank service charges	3,952	2,862	9,110
Government fees and taxes	1,498	-	1,498
Finance charges	-	2,000	2,000
Loss on sale of computer equipment	-	908	908
	\$ 1,219,864	\$ 1,535,900	\$ 4,461,962

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16. Segmented Financial Information

The Company has been directly or indirectly engaged in 2007 and 2006, in the exploration of mineral properties in both Canada and the United States.

The Company's operating segments have been identified based on geographic area. There are no revenues in the United States and assets are disclosed in the consolidated statements of mineral properties.

17. Subsequent Events

Subsequent to September 30, 2007, total proceeds of \$2,122,000 were received for the exercise of 453,315 compensation options and 7,764,999 warrants at various exercise prices and expiry dates.

On October 8, 2007, Sage paid US \$40,000 and issued 431,957 common shares (valued at \$67,385) to complete the option agreements on the Pony Spur, Dike and Corridors Properties.

On October 15, 2007, the Company announced that it has completed a non-brokered private placement financing for \$760,000 of units at \$0.14 per unit subject to final regulatory approval. Each unit consists of one common share and one share purchase warrant exercisable at \$0.19 in year 1 and \$0.25 in year 2. If the closing price of the Company's common shares on the TSX Venture Exchange, or such other stock exchange where the majority of the trading volume occurs, is \$0.28 or higher for a period of a minimum of 21 days, the Company may notify the warrant holders that all unexercised warrants will expire on the 30th day after the date of such notice being given by the Company.

A finders' fee of \$45,600 in cash together with 434,285 broker warrants, on the same terms as the subscribers' units, was paid. All securities are subject to a four month hold period which expires on February 16, 2008.

Sage also granted 3,055,000 stock options at an exercise price of \$0.24 per share to management, directors, employees, consultants and an investor relations consultant. The options will vest over twelve months and are exercisable for a period of five years.

On November 16, 2007, the Company completed a non-brokered private placement of 10,960,000 flow through units at \$0.50 per unit for gross proceeds of \$5,480,000. Each unit consists of one common share plus one half non flow-through common share purchase warrant. Each common share purchase warrant shall entitle the holder to purchase an additional one common share at the exercise price of \$0.75 for a term of two years. If the Company's shares trade at or above \$0.95 per share for 21 consecutive trading days, the Company may then accelerate the expiration of the warrants upon not less than 30 days written notice by the Company, and thereafter repurchase any unexercised warrants at \$0.001 per underlying common share.

All shares and warrants issued under the offering are subject to a four month hold period, which expires on March 15, 2008.

The Company paid finders fees of \$311,400 cash together with 830,400 broker warrants. The warrants have an exercise price of \$0.75 per warrant, and expire on November 16, 2009.

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17. Subsequent Events (Continued)

On November 26, 2007, Sage has acquired options on four additional properties in the Beardmore Geraldton camp.

- i) Paint Lake Option Agreement: The property consists of leases encompassing 9 claims located in the Townships of Irwin and Walters, Ontario. The consideration for earning a 100% ownership interest in the property includes the issuance of a total of 200,000 treasury common shares of Sage plus total cash payments of \$75,000. The cash and share disbursements are distributed over a three year period.
- ii) King Solomon's Pillars Option Agreement: The property consists of leases encompassing 18 claims covering 282 hectares of land and land under water located in the Township of Walters, Ontario. The consideration for earning a 100% ownership interest in the property includes the issuance of a total of 180,000 treasury common shares of Sage and total cash payments of \$60,000. The cash and share disbursements are distributed over a three year period.
- iii) Missing Link Option Agreement: The property consists of 12 claims located in the Townships of Lapierre and Legault, Ontario. The consideration for earning into a 100% ownership interest in the property includes the issuance of a total of 250,000 treasury common shares of Sage plus total cash payments of \$78,200. The cash and share disbursements are distributed over a three year period.
- iv) Côté Two Rivers Option Agreement – The property consists of sixty (60) units consisting of five claim blocks located in Coughlan and Castlewood Lake areas north of Beardmore Ontario. The option agreement defines that Sage can earn into a 100% ownership interest in the property by making a total of \$85,000 in cash payments and issuing \$65,000 of share consideration over the first four years of the agreement and by making a final payment of \$75,000 in a mixture of cash and shares in the fifth year.

Completion of the transactions and the issue of the treasury common shares referred to herein are subject to regulatory approval.