

Sage Gold Inc.
(A Development Stage Company)

Consolidated Financial Statements
For the years ended September 30, 2008 and 2007

(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, 2008 and 2007 were audited by PricewaterhouseCoopers 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 11, 2008

December 11, 2008

Auditors' Report

To the shareholders of
Sage Gold Inc.

We have audited the consolidated balance sheets of Sage Gold Inc. as at September 30, 2008 and 2007 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for each of the years in the two year period ended September 30, 2008. 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 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 consolidated financial statements present fairly, in all material respects, the financial position of the company as at September 30, 2008 and 2007 and the results of its operations and its cash flows for each of the years in the two year period ended September 30, 2008 in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

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

September 30	2008	2007
Assets		
Current		
Cash and cash equivalents	\$ 356,186	\$ 1,864,572
Short-term investment (note 2)	20,167	10,000
Other assets	501,617	162,051
	877,970	2,036,623
Investment in mineral exploration company (Note 5(ii))	100,877	126,000
Mineral properties	15,197,127	5,624,593
Equipment, net of accumulated amortization (Note 6)	48,886	11,184
	\$ 16,224,860	\$ 7,798,400

Liabilities and Shareholders' Equity

Current		
Accounts payable and accrued liabilities	\$ 517,300	\$ 315,698
Future income tax liability (Note 11)	1,601,000	-
	2,118,300	315,698
Shareholders' equity		
Share capital (Note 7(b))	15,376,872	8,773,856
Warrants (Note 8)	2,224,550	1,335,307
Contributed surplus	3,202,117	1,241,578
Deficit	(6,671,856)	(3,868,039)
Accumulated other comprehensive loss	(25,123)	-
	14,106,560	7,482,702
	\$ 16,224,860	\$ 7,798,400

Going concern (Note 1(b))

Approved on behalf of the Board:

(signed) Patrick J. Mars _____ Director

(signed) C.Nigel Lees _____ Director



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

Sage Gold Inc.

(A Development Stage Company)

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

For the years ended September 30	2008	2007	Cumulative from inception September 15, 2003
Expenses			
General and administrative (Note 16)	\$ 3,059,475	\$ 1,219,864	\$ 7,521,437
Amortization	9,608	2,489	19,531
Write off of mineral properties (Note 5)	527,216	-	670,347
	3,596,299	1,222,353	8,211,315
Other income			
Interest received	121,482	2,085	141,519
Net loss before the following	(3,474,817)	(1,220,268)	(8,069,796)
Future income tax recovery (Note 11)	671,000	294,000	1,466,941
Net loss for the year	(2,803,817)	(926,268)	(6,602,855)
Other comprehensive loss	(25,123)	-	(25,123)
Net loss and comprehensive loss for the year	\$ (2,828,940)	\$ (926,268)	\$ (6,627,978)
Loss per common share (Note 12)	\$ (0.02)	\$ (0.01)	

Going concern (Note 1(b))



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)

	Number of Securities	Year Ended September 30, 2008	Number of Securities	Year Ended September 30, 2007	Cumulative from inception September 15, 2003
Share capital					
Authorized					
Unlimited number of common shares					
Issued					
Balance at beginning of period	111,182,002	\$ 8,773,856	69,856,244	\$ 5,047,755	\$ (345,068)
Conversion of special warrants	-	-	-	-	2,190,020
Private placements - Flow-through common shares	10,960,000	5,480,000	25,605,425	3,572,660	10,658,285
Private placements - Common shares	5,428,570	760,000	9,286,000	1,039,765	4,886,219
Finder's fees	-	-	300,000	30,000	30,000
Warrants valuation	-	(1,775,355)	-	(911,983)	(3,210,428)
Mineral properties acquisition	1,351,605	333,291	891,973	135,572	737,457
Exercise of warrants	16,981,997	3,229,630	4,233,000	423,300	3,850,592
Exercise of warrants valuation	-	828,890	-	82,177	918,402
Exercise of compensation options	1,415,809	158,617	168,120	16,812	175,829
Exercise of compensation options valuation	-	78,704	-	8,406	87,310
Exercise of broker options	-	-	656,240	49,218	49,218
Exercise of broker options valuation	-	-	-	9,718	9,718
Exercise of stock options	1,545,000	176,900	185,000	18,500	195,400
Exercise of stock options valuation	-	105,089	-	10,091	115,180
Cost of issue - Cash	-	(420,465)	-	(339,579)	(1,532,506)
Cost of issue - Finder's fees	-	-	-	(30,000)	(30,000)
Cost of issue - Compensation options	-	(246,285)	-	(94,556)	(506,815)
Cost of issue - Flow-through renunciation	-	(2,106,000)	-	(294,000)	(2,901,941)
Balance at end of period	148,864,983	\$ 15,376,872	111,182,002	\$ 8,773,856	\$ 15,376,872



The accompanying notes are 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)

	Number of Securities	Year Ended September 30, 2008	Number of Securities	Year Ended September 30, 2007	Cumulative from inception September 15, 2003
Warrants					
Balance at beginning of period	32,772,493	\$ 1,335,307	24,587,829	\$ 515,755	\$ 190,020
Conversion to common shares	-	-	-	-	(190,020)
Warrants granted	11,232,569	1,775,355	12,863,498	911,983	3,210,428
Warrants exercised	(16,981,997)	(828,890)	(4,233,000)	(82,177)	(918,402)
Expired warrants	(1,589,495)	(57,222)	(445,834)	(10,254)	(67,476)
Balance at end of period	25,433,570	\$ 2,224,550	32,772,493	\$ 1,335,307	\$ 2,224,550
Contributed surplus					
Balance at beginning of period		\$ 1,241,578		\$ 1,054,542	\$ -
Compensation options granted		246,285		94,556	497,097
Compensation options exercised		(78,704)		(8,406)	(87,310)
Broker options granted		-		-	9,718
Broker options exercised		-		(9,718)	(9,718)
Stock options exercised		(105,089)		(10,091)	(115,180)
Stock options vested		1,840,825		110,441	2,840,034
Expired warrants		57,222		10,254	67,476
Balance at end of period		\$ 3,202,117		\$ 1,241,578	\$ 3,202,117



The accompanying notes are 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)

	Year Ended September 30, 2008	Year Ended September 30, 2007	Cumulative from inception September 15, 2003
Deficit			
Balance at beginning of period	\$ (3,868,039)	\$ (2,941,771)	\$ (69,001)
Net loss for the period	(2,803,817)	(926,268)	(6,602,855)
Balance at end of period	\$ (6,671,856)	\$ (3,868,039)	\$ (6,671,856)
Accumulated other comprehensive loss			
Balance at beginning of period	\$ -	\$ -	\$ -
Other comprehensive loss	(25,123)	-	(25,123)
Balance at end of period	\$ (25,123)	\$ -	\$ (25,123)
Total Shareholders' equity	\$ 14,106,560	\$ 7,482,702	\$ 14,106,560



The accompanying notes are 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	2008	2007	Cumulative from inception September 15, 2003
Cash flows provided by (used in)			
Operating activities			
Net loss for the year	\$ (2,803,817)	\$ (926,268)	\$ (6,602,855)
Items not affecting cash:			
Amortization	9,608	2,489	19,531
Future income tax recovery	(671,000)	(294,000)	(1,466,941)
Stock-based compensation	1,389,942	92,617	2,235,862
Investment in mineral exploration company	-	(126,000)	(126,000)
Write-off of mineral properties	351,512	-	494,643
Changes in non-cash working capital balances:			
Change in other assets	(339,733)	(49,168)	(496,594)
Change in accounts payable and accrued liabilities	(90,328)	30,041	(54,737)
	(2,153,816)	(1,270,289)	(5,997,091)
Investing activities			
Disposal of (purchase of) short term investments	(10,000)	492,723	(20,000)
Deferred costs	-	-	(36,657)
Additions to mineral properties	(9,132,825)	(2,360,447)	(14,437,806)
Additions to mineral properties - stock based compensation	450,883	17,824	597,251
Additions to equipment	(47,310)	(6,717)	(70,424)
Proceeds from sale of computer equipment	-	-	1,100
	(8,739,252)	(1,856,617)	(13,966,536)
Financing activities			
Issuance of shares, net of costs	9,384,682	4,780,676	20,283,037
Net increase (decrease) in cash and cash equivalents during the year	(1,508,386)	1,653,770	319,410
Cash and cash equivalents, beginning of the year	1,864,572	210,802	36,776
Cash and cash equivalents, end of the year	\$ 356,186	\$ 1,864,572	\$ 356,186

Supplemental Cash Flow Information (Note 13)



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	2008	2007	Cumulative from inception of project
Kerrs Property, Canada (Notes 5(i) and (ii))			
Opening balance	\$ 1,479,543	\$ 1,566,990	\$ -
Property acquisition costs	-	15,218	224,330
Claim management and other property maintenance costs	557	7,387	66,279
Geological consulting and services	41,382	43,085	312,613
Geochemistry and geophysics	2,230	-	65,636
Assays and analyses	2,851	-	55,207
Travel and accommodation	2,404	2,353	81,782
Drilling and linecutting	4,310	350	875,079
Other	8,334	-	16,525
Earn-in	(100,000)	(155,840)	(255,840)
Management fees	(30,863)	-	(30,863)
Activity during the period	(68,795)	(87,447)	1,410,748
Closing balance	\$ 1,410,748	\$ 1,479,543	\$ 1,410,748
Malartic Property, Canada (Note 5(i))			
Opening balance	\$ 12,711	\$ 34,481	\$ -
Property acquisition costs	-	-	1,778
Claim management and other property maintenance costs	14,800	1,265	20,129
Geological consulting and services	-	7,125	26,183
Geochemistry and geophysics	-	-	9,581
Earn-in	(15,000)	(30,160)	(45,160)
Activity during the period	(200)	(21,770)	12,511
Closing balance	\$ 12,511	\$ 12,711	\$ 12,511

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

For the years ended September 30	2008	2007	Cumulative from inception of project
Onaman Property, Canada (Note 5 (iii))			
Opening balance	\$ 1,476,762	\$ 606,327	\$ -
Property acquisition costs	452,574	36,797	548,897
Claim management and other property maintenance costs	2,525	902	4,329
Geological consulting and services	925,686	178,227	1,478,226
Trenching and stripping	509,331	-	509,331
Geochemistry and geophysics	621,777	89,947	716,841
Assays and analyses	303,471	56,077	384,592
Travel and accommodation	255,339	53,985	356,399
Drilling and linecutting	2,666,126	341,817	3,039,286
Equipment rental	100,600	18,786	144,298
Field expenses	80,896	8,408	89,304
Other	92,479	85,489	216,063
Activity during the period	6,010,804	870,435	7,487,566
Closing balance	\$ 7,487,566	\$ 1,476,762	\$ 7,487,566
Jacobus Property, Canada (Note 5(iv))			
Opening balance	\$ 1,521,186	\$ 103,648	\$ -
Property acquisition costs	25,000	60,613	116,887
Claim management and other property maintenance costs	17,349	443	17,792
Assays and analyses	118,012	57,513	175,525
Geological consulting and services	552,738	185,798	810,910
Trenching and stripping	218,785	146,254	365,039
Geochemistry and geophysics	198,361	186,828	385,189
Travel and accommodation	35,101	44,401	79,502
Drilling and linecutting	759,401	631,258	1,390,659
Equipment rental	27,598	22,134	49,732
Field expenses	44,335	51,295	95,630
Other	56,266	31,001	87,267
Activity during the period	2,052,946	1,417,538	3,574,132
Closing balance	\$ 3,574,132	\$ 1,521,186	\$ 3,574,132



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	2008	2007	Cumulative from inception of project
Nicole Property, Canada (Note 5(v))			
Opening balance	\$ 63,658	\$ -	\$ -
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	\$ 63,658
Hopkins Properties, Canada (Note 5(vi))			
Opening balance	\$ -	\$ -	\$ -
Property acquisition costs	219,923	-	219,923
Claim management and other property maintenance costs	1,782	-	1,782
Activity during the period	221,705	-	221,705
Closing balance	\$ 221,705	\$ -	\$ 221,705
Beardmore/Geraldton Properties, Canada (Note 5(vii))			
Opening balance	\$ -	\$ -	\$ -
Property acquisition costs	239,502	-	239,502
Claim management and other property maintenance costs	1,265	-	1,265
Assays and analyses	4,267	-	4,267
Geological consulting and services	87,469	-	87,469
Trenching and stripping	103,009	-	103,009
Geochemistry and geophysics	121,150	-	121,150
Travel and accommodation	17,893	-	17,893
Drilling and linecutting	13,817	-	13,817
Equipment rental	17,322	-	17,322
Other	6,289	-	6,289
Activity during the period	611,983	-	611,983
Closing balance	\$ 611,983	\$ -	\$ 611,983
Total Mineral Properties in Canada	\$ 13,382,303	\$ 4,553,860	\$ 13,382,303



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	2008	2007	Cumulative from inception of project
Triple Junction and Dixie Fork Properties, United States (Note 5 (viii))			
Opening balance	\$ 101,326	\$ 84,572	\$ -
Property acquisition costs	67,039	-	78,382
Claim management and other property maintenance costs	4,498	8,794	14,492
Geochemistry and geophysics	-	1,042	21,042
Geological consulting and services	-	-	31,840
Travel and accommodation	-	-	19,581
Other	-	6,918	7,526
Activity during the period	71,537	16,754	172,863
	172,863	101,326	172,863
Write off	(172,863)	-	(172,863)
Closing balance	\$ -	\$ 101,326	\$ -
Pony Spur, Dike, Corridors and Sugarloaf Properties, United States (Note 5 (ix))			
Opening balance	\$ 820,467	\$ 722,012	\$ -
Property acquisition costs	132,797	46,065	520,313
Advances	-	-	3,488
Geological consulting and services	48,795	3,163	265,221
Geochemistry and geophysics	47,214	29,162	244,062
Assays and analyses	13,338	-	13,338
Travel and accommodation	6,420	2,905	29,590
Claim management and other property maintenance costs	28,690	38,087	97,370
Field expenses	18,897	9,385	28,282
Drilling and linecutting	54,077	-	54,077
Other	10,465	1,745	18,172
Recovery of costs	-	(32,057)	(31,059)
Impairment charge - Sugarloaf	(26,164)	-	(87,858)
Activity during the period	334,529	98,455	1,154,996
	1,154,996	820,467	1,154,996
Write off - Dike, Corridors	(312,965)	-	(312,965)
Closing balance	\$ 842,031	\$ 820,467	\$ 842,031



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	2008	2007	Cumulative from inception of project
Big Bend Gold Property, United States (Note 5(x))			
Opening balance	\$ 13,394	\$ 10,544	\$ -
Property acquisition costs	-	805	5,732
Claim management and other property maintenance costs	1,830	1,995	3,825
Geological consulting and services	-	50	5,667
Activity during the period	1,830	2,850	15,224
	15,224	13,394	15,224
Write off	(15,224)	-	(15,224)
Closing balance	\$ -	\$ 13,394	\$ -
Gold Hill Property, United States (Note 5(xi))			
Opening balance	\$ 135,546	\$ -	\$ -
Property acquisition costs	50,940	58,909	109,849
Geological consulting and services	91,943	24,299	116,242
Assays and analyses	24,733	-	24,733
Drilling and linecutting	1,133,298	-	1,133,298
Travel and accommodation	20,988	-	20,988
Road costs	-	48,257	48,257
Other	16,049	4,081	20,130
Recovery of costs	(500,704)	-	(500,704)
Activity during the period	837,247	135,546	972,793
Closing balance	\$ 972,793	\$ 135,546	\$ 972,793
Total Mineral Properties in United States	\$ 1,814,824	\$ 1,070,733	\$ 1,814,824
TOTAL	\$ 15,197,127	\$ 5,624,593	\$ 15,197,127



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, 2008 and 2007

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.

As an exploration and development stage company, the Company's income is limited to interest income and other incidental income. The Company continues to be dependent upon its ability to finance its development and exploration programs through financing activities that may include issuance of additional debt or equity securities. The underlying value of the mineral properties is dependent upon the existence and economic recovery of mineral reserves, confirmation of the Corporation's interest in the underlying mineral claims, the ability to raise long-term financing to complete the development of the properties and upon future profitable production or, alternatively upon the Corporation's ability to dispose of its interest on an advantageous basis, all of which are uncertain.

(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. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, as described in the following paragraph. 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.

As at September 30, 2008, the Company reported a loss after tax of \$2.8 million, an accumulated deficit of \$6.7 million as at that date and has not generated cash flow from operations. 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 applicability of the going concern assumption.

2. Summary of Significant Accounting Policies

Basis of presentation and principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned U.S. subsidiary, Sage Mining Inc., prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and presented in Canadian dollars.

Sage Gold Inc.
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Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)
September 30, 2008 and 2007

2. Summary of Significant Accounting Policies (Continued)

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 an original maturity of less than 90 days.

Short-term investment

The short term investment consists of a Guaranteed Investment Certificate bearing interest at 2.00% maturing May 4, 2009. This has been designated as held for trading for financial instruments purposes. The investment represents bank security on the Company's corporate credit card.

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 Company's policy is to defer expenditures related to the acquisition, exploration and development of its exploration properties. If an exploration property is abandoned, continued exploration is not planned in the foreseeable future or when other events and changes in circumstances indicate that the carrying amount may not be recovered, the accumulated costs and expenditures are written down to fair value. Deferred expenditures relating to exploration projects represent costs to be charged to operations in the future and do not necessarily reflect the present or future values of the particular projects.

Indications that the net carrying amount of the capitalized costs on the exploration properties will not be recovered would include when:

- exploration activities have ceased;
- exploration results are not promising such that exploration will not be planned for the foreseeable future;
- lease ownership rights expire, are cancelled or expropriated;
- sufficient funding is not expected to be available to complete the exploration program; or
- other indications of impairment exist.

Development projects include those projects where development alternatives are in progress and/or studies have been completed suggesting that the properties are economically viable. The Company reviews the carrying amount of development projects when events or changes in circumstances suggest that the carrying amount may not be recoverable. A development project may no longer be recoverable when:

Sage Gold Inc.
(A Development Stage Company)
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)
September 30, 2008 and 2007

2. Summary of Significant Accounting Policies (Continued)

Mineral properties (continued)

- determined to not be economically viable;
- ownership rights or other key requirements cannot be met;
- sufficient funding is not expected to be available to complete the project;
- other indications the project is not viable exist;
- if the estimated fair value of a property is deemed to be less than that of the carrying value of the property, a provision for impairment is recorded based on the discounted estimated future cash flows. Fair value has been defined by the Company as the estimated future cash flows, on an undiscounted basis

When the carrying value of a development property is no longer recoverable, it would be written down to fair value.

Mineral properties and related expenditures are recorded at cost. These net costs are deferred until the mineral properties to which they relate are placed into production, sold or abandoned. The costs will be amortized using the unit-of-production method over the estimated useful lives of the mineral properties following the commencement of production or written off, if the mineral properties are sold, impaired or abandoned.

General exploration and development costs not specifically relating to a mineral property are expensed as incurred.

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%.

Vehicle 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.

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2. Summary of Significant Accounting Policies (Continued)

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.

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.

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2. Summary of Significant Accounting Policies (Continued)

Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Capital Disclosures (Handbook Section 1535), Financial Instruments – Disclosures (Handbook Section 3862), and Financial Instruments – Presentation (Handbook Section 3863). These new standards became effective for the Company on October 1, 2007.

Capital Disclosures

Handbook 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 Company has included disclosures recommended by the new Handbook section in Note 3 to these consolidated financial statements.

Financial Instruments

Handbook 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 the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in Note 4 to these consolidated financial statements.

Amendments To Section 1400 – General Standards of Financial Statement Presentation

In June 2007, the CICA amended Handbook Section 1400, Going Concern, to include additional requirements to assess and disclose an entity's ability to continue as a going concern. Section 1400 is effective for interim and annual reporting periods beginning on or after January 1, 2008. The Company has chosen to early adopt this standard and has made appropriate disclosures in Note 1 to these consolidated financial statements.

Future Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will be required to have prepared, in time for its first quarter of fiscal 2012 filing, comparative financial statements in accordance with IFRS for the three months ended December 31, 2010.

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2. Summary of Significant Accounting Policies (Continued)

Future Accounting Pronouncements (Continued)

Goodwill and Intangible Assets

Section 3064, Goodwill and intangible assets, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and expenses during the pre-operating period. As a result of the withdrawal of EIC 27, the Corporation will no longer be able to defer costs and revenues incurred prior to commercial production at new operations. The new standard is effective as of January 1, 2009.

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

3. Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended September 30, 2008. Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

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4. Financial Risk Factors

The Company's risk exposures and their impact on the Company's financial instruments are summarized below:

Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents, short-term investment and receivables included in other assets. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents and short-term investment are held with the Royal Bank of Canada, from which management believes the risk of loss to be minimal. Financial instruments included in other assets consist of goods and services tax due from the Federal Government of Canada and receivables from unrelated companies. Management believes that the credit risk concentration with respect to financial instruments included in other assets is minimal.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2008, the Company had cash and cash equivalents and short-term investment of \$376,353 (September 30, 2007 - \$1,874,572) to settle current liabilities of \$517,300 (September 30, 2007 - \$315,698). During the period October 19th to 25th, 2008, the Company raised \$3,450,000 in flow-through financing to maintain current liquidity (Note 19). The Company anticipates that this additional financing will now be sufficient to support the planned exploration program ongoing in Canada; however non flow-through financing is required to fund the related operating expenses required to manage the Company through fiscal 2009. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company is also committed to spending approximately \$200,000 in flow-through expenditures by December 31, 2008. If the Company does not spend these funds in compliance with the government of Canada flow-through regulations, it may be subject to litigation from various counterparties. The Company intends to fulfill all flow-through commitments within the given time constraints.

Market risk

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

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

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4. Financial Risk Factors (Continued)

Market risk (continued)

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses in the United States on a cash call basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. Management believes the foreign exchange risk derived from currency conversions is manageable and therefore does not hedge its foreign exchange risk.

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Sensitivity analysis

The Company has designated its cash and cash equivalents and short-term investment as held-for-trading, which are measured at fair value. Financial instruments included in other assets are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. The Company's investment in a private mineral exploration company is measured at cost as the investment does not have a quoted market price in an active market.

As at September 30, 2008, the carrying and fair value amounts of the Company's financial instruments are the same.

Based on management's knowledge and experience of the financial markets, Sage believes the following movements are "reasonably possible" over a twelve months period:

Short-term investment include deposit at call which is at variable rate. Sensitivity to a plus or minus 1% change in rates would affect net loss by \$200.

The Company has an investment in a public company. Sensitivity to a plus or minus 50% change in the company's expected share price would affect comprehensive income (loss) by \$50,439.

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4. Financial Risk Factors (Continued)

Sensitivity analysis (Continued)

The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of precious metals. There is no assurance that, even as commercial quantities of the precious metals may be produced in the future, a profitable market will exist for them. As of September 30, 2008, the Company was not a producing entity. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

5. 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-consolidated) common shares to acquire certain Newmont properties in Kerrs Township, Ontario and in the Townships of Barlow, Cadillac, Malartic and Fancamp in Quebec.

The agreement also provided 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 or equal to 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 un-surveyed 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.

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5. Mineral Properties (Continued)

(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 (spent \$nil). The Company had not complied with this requirement by the third anniversary, however an amending agreement was signed on November 10, 2008 whereby the Company has agreed to issue a further \$12,500 in common shares and to increase the amount of required expenditures from \$70,000 to \$75,000. Based upon this amendment, the Vendors have agreed to an extension for the remaining required expenditures through to August 31, 2009.

In the event the Company does not comply with the terms and conditions of the original and amended option agreements, and is unable to negotiate a further amendment, then the option would cease and the property would revert back to the vendor, and any amounts spent to date on the property would be written off.

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.

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5. 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 (Barlow) 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. As of August 8, 2008, OAK became a public company when it merged with Lucrum Capital Corp ("Lucrum"). As a result of the merge, Sage now owns 672,516 shares of Lucrum, valued at \$100,877 as at September 30, 2008.

For financial statement presentation, the investment has been designated as available for sale.

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.

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.

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.

By September 30, 2008, another payment of \$115,000 was received from OAK allocated as follows: Kerrs - \$60,000, Chibougamau - \$40,000 and Malartic - \$15,000, thereby enabling OAK to maintain its interest in the properties.

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5. Mineral Properties (Continued)

(iii) Onaman Property

On May 3, 2006, the Company signed an option agreement with two arms length individuals to earn a 100% interest in the Onaman property. This option agreement includes total cash payments of \$75,000 (paid) by the Company to the vendors, the issuance of 200,000 Sage shares (issued and valued at \$36,000) 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. Upon payment of \$1,000,000 the Company can reduce the NSR to 1% on base metals and 2% on precious metals.

In March 2008, the Company issued 50,000 common shares valued at \$17,250 to the vendors as per the option agreement.

(iv) 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 (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. Upon payment of \$1,000,000 the Company can reduce the NSR to 1% on base metals and 2% on precious metals.

(v) 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 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.

(vi) Hopkins Properties

On February 12, 2008, the Company signed an option agreement with Albert Hopkins Enterprises Ltd. (the "Vendor") to purchase a 100% interest in the Hopkins Properties located in Ontario. The option agreement includes total cash payments of \$250,000 of which \$215,000 has been paid as at September 30, 2008. The Vendor retains a 2% NSR from the properties and the Company can repurchase 1/2 of the NSR for \$1,000,000.

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5. Mineral Properties (Continued)

(vii) Beardmore/Geraldton Properties

On November 26, 2007, Sage acquired options on four additional properties in the Beardmore/Geraldton Gold Belt.

- (a) Paint Lake Option Agreement: The property consists of leases encompassing 9 mining 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 (100,000 shares issued and valued at \$41,000) plus total cash payments of \$75,000 (\$25,000 paid). The cash payments and share issuances are over a three year period.
- (b) King Solomon's Pillars Option Agreement: The property consists of leases encompassing 18 mining claims 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 (80,000 shares issued and valued at \$32,800) and total cash payments of \$60,000 (\$10,000 paid). The cash payments and share issuances are over a three year period.
- (c) Missing Link Option Agreement: The property consists of 12 mining 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 (100,000 shares issued and valued at \$41,000) plus total cash payments of \$78,200 (\$25,000 paid). The cash payments and share issuances are over a three year period.
- (d) Côté Two Rivers Option Agreement: The property consists of sixty units comprising five claim blocks located in Coughlan and Castlewood Lake areas north of Beardmore Ontario. Under the option agreement Sage can earn a 100% ownership interest in the property by making a total of \$85,000 in cash payments (\$40,000 paid) and issuing \$65,000 of share consideration over the first four years of the agreement (40,040 shares issued and valued at \$16,416) and by making a final payment of \$75,000 in a mixture of cash and shares in the fifth year.

In the event the Company does not comply with the terms and conditions of the option agreement, and is unable to negotiate a suitable amendment, then the option would cease and the property would revert back to the vendor, and any amounts spent to date on the property would be written off.

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5. Mineral Properties (Continued)

UNITED STATES

(viii) 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.

On October 26, 2007, the Company announced that it had executed an extension to the Option Agreement with Atna. Under the terms of the Option Agreement, Sage can earn up to a 70% undivided interest in the Property upon the achievement of certain predetermined drilling and feasibility milestones. 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 for a total value of \$66,500 to Atna Resources Ltd.

As of September 30, 2008, the Company determined that no further expenditures were planned on the properties, and accordingly the properties were written off and the agreement terminated.

(ix) 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.

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5. Mineral Properties (Continued)

(ix) Pony Spur, Dike, Corridors and Sugarloaf Properties (Continued)

On October 8, 2007, Sage paid US\$40,000 and issued 431,957 common shares for a total value of \$67,385 to complete the option agreements.

As of September 30, 2008, the Company determined that no further expenditures were planned on Dike and Corridors properties, and accordingly these two properties were written off.

(x) Big Bend Gold Property

On March 23, 2006, the Company obtained an exploration permit on the Big Bend Gold Property ("Big Bend") that is located in Yavapai County, Arizona.

As of September 30, 2008, the Company determined that no further expenditures were planned on the property, and accordingly the property was written off.

(xi) 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.

In March 2008, the Company issued 199,608 common shares valued at \$50,940 (US\$50,000) to the vendor as per the option agreement. Sage has exercised an option to acquire a 50% interest in the property, having spent U.S. \$250,000 in exploration expenditures as required under the option agreement. Subsequent expenditures are being shared equally between the Company and the property vendor with the Company incurring the expenditure and subsequently being reimbursed by the property vendor.

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6. Equipment

	Cost	Accumulated Amortization	Net Carrying Amount 2008
Office equipment	\$ 14,947	\$ 5,890	\$ 9,057
Computer equipment	15,821	6,298	9,523
Vehicles	35,653	5,347	30,306
	\$ 66,421	\$ 17,535	\$ 48,886

	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

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7. Share Capital

(a) Authorized
Unlimited number of common shares

(b) Issued

Common shares	Number of Shares	Amount
Balance, September 30, 2006	69,856,244	\$ 5,047,755
Private placement - Flow-through common shares (c)(i)	8,750,427	1,225,060
Private placement - Common shares (d)(i)	5,000,000	500,000
Private placement - Common shares (Note 5(xi))	2,500,000	289,725
Finder's fees	300,000	30,000
Warrant valuation (d)(i)	-	(120,700)
Private placement - Flow-through common shares (c)(ii)	8,729,998	1,047,600
Warrant valuation (c)(ii)	-	(366,660)
Private placement - Common shares (d)(ii)	1,786,000	250,040
Warrant valuation (d)(ii)	-	(151,810)
Private placement - Flow-through common shares (c)(iii)	6,250,000	1,000,000
Warrant valuation (c)(iii)	-	(215,625)
Private placement - Flow-through common shares (c)(iv)	1,875,000	300,000
Warrant valuation (c)(iv)	-	(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)(vi)	-	(294,000)
Balance, September 30, 2007	111,182,002	\$ 8,773,856

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7. Share Capital (Continued)

(b) Issued (Continued)

Common shares	Number of Shares	Amount
Balance, September 30, 2007	111,182,002	\$ 8,773,856
Private placement - Flow-through common shares (c)(v)	10,960,000	5,480,000
Private placement - Common shares (d)(iii)	5,428,570	760,000
Warrant valuation (d)(iii)	-	(1,775,355)
Mineral property acquisitions	1,351,605	333,291
Exercise of warrants	16,981,997	3,229,630
Exercise of warrants valuation	-	828,890
Exercise of compensation options	1,415,809	158,617
Exercise of compensation options valuation	-	78,704
Exercise of stock options	1,545,000	176,900
Exercise of stock options valuation	-	105,089
Cost of issue - Cash	-	(420,465)
Cost of issue - Compensation options	-	(246,285)
Cost of issue - Flow-through renunciation (c)(vi)	-	(2,106,000)
Balance, September 30, 2008	148,864,983	\$ 15,376,872

(c) Flow-Through Issuances

- (i) 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.

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7. Share Capital (Continued)

(c) Flow-Through Issuances (Continued)

- (ii) 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 were exercisable until July 11, 2008. All securities issued had a hold period which expired on November 12, 2007. The Company subsequently renounced the exploration expenditures generated by the financing creating a future income tax liability of approximately \$378,393 which has been 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.

- (iii) 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 were subject to a four month hold period which expired on January 1, 2008. The Company subsequently renounced the exploration expenditures generated by the financing creating a future income tax liability of approximately \$361,200 which has been 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.

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7. Share Capital (Continued)

(c) Flow-Through Issuances (Continued)

- (iv) 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 were subject to a four month hold period which expired on January 19, 2008. The Company renounced the exploration expenditures generated by the financing. The renunciation created a future income tax liability of approximately \$108,360 which was 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.

- (v) 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 consisted of one common share plus one half non flow-through common share purchase warrant. Each common share purchase warrant entitles 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 were subject to a four month hold period, which expired on March 15, 2008.

The Company paid finders' fees of \$311,400 cash together with 830,400 compensation options on the same terms as the subscribers' units.

The fair value of the 5,480,000 warrants and 830,400 compensation options was estimated at \$1,002,840 and \$178,536 respectively using the Black-Scholes option pricing formula with the following assumptions: expected dividend yield - 0%, expected volatility - 120.4%, risk-free interest rate - 3.92% and an expected average life of 2 years.

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7. Share Capital (Continued)

(c) Flow-Through Issuances (Continued)

- (vi) The issuance of 8,750,427 flow-through common shares in (c)(i) 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.

The issuance of flow-through common shares in fiscal year 2007 and on November 16, 2007 created a future income tax liability of approximately \$2,106,000 which was allocated as a cost of issuing the flow-through shares at the time of renunciation.

(d) Non Flow-Through Private Placements

- (i) 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.

- (ii) 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 expired 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.

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7. Share Capital (Continued)

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

- (iii) On October 15, 2007, the Company closed a non-brokered private placement financing of 5,428,570 units at \$0.14 per unit for total proceeds of approximately \$760,000. Each unit consisted 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 434,286 compensation options, on the same terms as the subscribers' units, was paid. All securities were subject to a four month hold period which expired on February 16, 2008.

The fair value of the 5,428,570 warrants and 434,286 compensation options was estimated at \$700,286 and \$67,749 respectively using the Black-Scholes option pricing formula with the following assumptions: expected dividend yield - 0%, expected volatility - 108.9%, risk-free interest rate - 4.36% and an expected average life of 2 years.

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8. Warrants

The following table shows the continuity of warrants for the years ended September 30, 2008 and 2007.

	Number of Warrants	Weighted Average Exercise Price
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
Granted	10,908,569	0.47
Granted ⁽¹⁾	324,000	0.20
Exercised	(16,981,997)	0.19
Expired	(1,589,495)	0.20
Balance, September 30, 2008	25,433,570	\$ 0.64

⁽¹⁾ 384,000 compensation options at a price of \$0.10 expiring April 13, 2008 and 264,000 compensation options at a price of \$0.10 expiring April 25, 2008 were exercised. These options resulted in the creation of 192,000 and 132,000 warrants with an exercise price of \$0.20 expiring April 13, 2008 and April 25, 2008, respectively. The fair value of these warrants was estimated at \$60,996 and \$11,233 respectively using the Black-Scholes option pricing formula with the following weighted average assumptions: expected dividend yield - 0%, expected volatility - 132.9% to 176.6%, risk-free interest rate - 2.88% to 4.16% and an expected average life of 3 to 6 months.

The following are the warrants outstanding at September 30, 2008 with a weighted average exercise price of \$0.64 each.

	Number of Warrants	Black-Scholes Value	Exercise Price	Expiry Date
(1)	8,000,000	\$ -	\$ 1.25	March 19, 2009
	937,500	57,188	0.22	March 19, 2009
	150,000	5,700	0.20	March 30, 2009
	3,651,500	306,726	0.18	July 11, 2009
	1,786,000	151,810	0.19	September 1, 2009
	5,428,570	700,286	0.19	October 12, 2009
	5,480,000	1,002,840	0.75	November 14, 2009
	25,433,570	\$ 2,224,550		

⁽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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9. Stock Options

The Company has an Incentive 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 (14,886,498 maximum common shares as at September 30, 2008) (2007 - 11,118,200 maximum common shares)

The following table shows the continuity of stock options and compensation stock options for the years ended September 30, 2008 and 2007.

	Number of Options	Weighted Average Exercise Price
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
Granted	7,140,000	0.39
Compensation options granted	1,264,686	0.34
Compensation options exercised	(1,415,809)	0.11
Exercised	(1,545,000)	0.11
Expired	(79,880)	0.10
Balance, September 30, 2008	15,620,426	\$ 0.28

Of the total options outstanding at the end of September 30, 2008, 13,590,000 options relate to the Plan.

The invested unamortized fair value of options granted as at September 30, 2008 amounted to \$76,504 (2007 – \$30,246).

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9. Stock Options (Continued)

During 2008, 7,140,000 (2007 - 1,640,000) 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:

	2008	2007
Expected dividend yield	0%	0%
Expected volatility	100%	88%-100%
Risk-free interest rate	3.10%-4.41%	4.07%-4.27%
Expected life	5 years	4.5 years

The total stock-based compensation calculated under the fair value method was \$1,870,045 (2007 - \$143,290). The weighted average fair value of options granted during fiscal 2008 is \$0.26 (2007 - \$0.09).

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

	2008	2007	Cumulative from Inception September 15, 2003
Directors' and management stock-based compensation	\$ 907,163	\$ 49,702	\$ 956,865
Salary costs and benefits	99,566	11,470	111,036
Investor relations and corporate development	25,744	6,302	32,046
Professional fees	357,469	10,705	368,174
Mineral properties	450,883	17,824	597,521
Stock-based compensation	-	14,438	366,159
	\$ 1,840,825	\$ 110,441	\$ 2,431,801

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9. Stock Options (Continued)

The following table shows the options outstanding at September 30, 2008.

	Number of Options	Amount (v)	Exercise Price	Expiry Date
Directors & Officers	860,000	\$ 172,646	\$ 0.25	April 26, 2009
Directors & Officers	140,000	28,640	0.25	May 28, 2009
Consultants	250,000	35,250	0.50	February 15, 2010
Directors, Officers, Consultants & Employees	1,000,000	54,546	0.10	August 10, 2010
Consultants	15,000	1,200	0.10	October 26, 2010
Management, Directors, Employees & Consultants	1,010,000	131,300	0.17	January 27, 2011
Directors, Officers, Consultants & Employees	2,215,000	237,005	0.14	May 29, 2011
Directors, Officers, Consultants & Employees	910,000	82,810	0.12	March 1, 2012
Consultant	300,000	36,600	0.16	September 27, 2012
Management, Directors, Employees & Consultants	3,055,000	534,625	0.24	October 15, 2012
Management, Directors, Employees & Consultants	2,985,000	1,110,420	0.50	December 13, 2012
Consultant	500,000	128,500	0.50	January 18, 2013
Consultants	350,000	61,250	0.25	May 20, 2013
Subtotal	13,590,000	2,614,792		
Compensation Options	115,740	7,407	0.14	November 22, 2008
Compensation Options (i)	500,000	41,000	0.16	March 1, 2009
Compensation Options (ii)	150,000	11,100	0.16	March 19, 2009
Compensation Options (iii)	434,286	67,749	0.14	October 12, 2009
Compensation Options (iv)	830,400	178,536	0.50	November 14, 2009
	15,620,426	\$ 2,920,584		

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9. Stock Options (Continued)

- (i) 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 Note 5(c)(v) of the audited consolidated financial statements as at September 30, 2007.
- (ii) 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 Note 5(c)(vi) of the audited consolidated financial statements as at September 30, 2007.
- (iii) Upon exercise of the 434,286 compensation options, 434,286 common shares and 434,286 warrants will be issued. The warrants have the same terms as disclosed in Note 7(b).
- (iv) Upon exercise of the 830,400 compensation options, 830,400 common shares and 415,200 warrants will be issued. The warrants have the same terms as disclosed in Note 7(a).
- (v) Black-Scholes value for total vested and non-vested options. Of the \$2,614,792, \$289,582 has not yet vested and will be recorded as an expense or capitalized to mineral properties upon vesting.

10. Related Party Transactions

The Company had the following related party transactions:

	2008	2007
Administrative and general expenses:		
Management fees to directors and officers	\$ 215,725	\$ 192,000
Consulting fees to companies owned by officers of the Company	96,975	105,184
Directors fees	45,000	45,000
Mineral properties:		
Consulting fees to officer	\$ 109,800	\$ 75,446

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	\$ 26,629	\$ 40,930
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11. Income Taxes

The following table reconciles the expected income tax recovery at the Canadian Federal and Provincial statutory rate of 34.2% (2007 - 36.1%) to the amounts recognized in the statements of operations:

	2008	2007
Net loss reflected in the statements of loss and comprehensive loss	\$ (3,474,817)	\$ (1,220,268)
Expected income tax recovery	(1,119,000)	440,000
Permanent differences	292,000	(7,000)
Tax rate changes and other adjustments	319,000	131,000
Effect of change in temporary differences not recognized	(135,000)	(270,000)
Valuation allowance	(28,000)	-
Income tax recovery reflected in the statement of operations	\$ (671,000)	\$ 294,000

The Company's income tax (recovery) is split as follows:

Current tax expense	\$ -	\$ -
Future tax expense	(671,000)	(294,000)
Total tax expense	\$ (671,000)	\$ (294,000)

The Company's future income tax assets and liabilities at September 30, 2008 and 2007 are as follows:

	2008	2007
Future Income Tax Assets		
Non-capital losses	\$ 1,872,000	\$ 1,358,000
Capital assets	6,000	3,000
Undeducted share issue costs	199,000	222,000
U.S. mineral properties	179,000	-
Undeducted resource and other tax pools	73,000	83,000
	2,329,000	1,666,000
Less: allocated against future income tax liabilities	(1,475,000)	(784,000)
Less: valuation allowance	(854,000)	(882,000)
Net future income tax assets	\$ -	\$ -
Future Income Tax Liabilities		
Canadian mineral properties	\$ 3,076,000	\$ 784,000
Less: reduction due to allocation of applicable future income tax assets	(1,475,000)	(784,000)
	\$ 1,601,000	\$ -

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11. Income Taxes (Continued)

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

Year of expiry	2010	\$	69,001
	2011		572,143
	2015		994,269
	2026		1,368,565
	2027		1,521,532
	2028		<u>2,367,568</u>
		\$	<u>6,893,078</u>

12. Loss Per Share

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

	2008	2007
Numerator		
Loss for the period	\$ (2,803,817)	\$ (926,268)
Denominator		
Average number of common shares outstanding	142,700,678	85,886,769
Basic and diluted loss per share	\$ (0.02)	\$ (0.01)

The effect of common share purchase options and warrants on the net loss per share in 2008 and 2007 is not reflected as to do so would be anti-dilutive.

13. Supplemental Cash Flow Information

	2008	2007
Non-cash financing activities		
Shares issued	\$ (333,291)	\$ (135,572)
Agents' compensation for private placement	62,492	94,556
Non-cash investing activities		
Additions to mineral properties	\$ 253,711	\$ (153,396)

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14. 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:

2009	46,000
2010	48,333
2011	20,833
	<u>\$ 115,166</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, 2008, the Company is committed to incurring approximately \$200,000 in qualifying exploration expenditures in Canada ("CEE") by December 31, 2008 arising from the flow-through offerings.

15. 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.

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15. Contingent Liability (Continued)

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.

16. General and Administrative Detail

For the years ended September 30	2008	2007	Cumulative from inception September 15, 2003
Directors' and management stock-based compensation	\$ 907,163	\$ 49,702	\$ 956,865
Professional fees	590,789	195,294	1,501,962
Investor relations and corporate development	375,454	115,025	608,200
Salary costs and benefits	279,943	149,112	674,185
Management fees	208,112	192,000	854,347
Office supplies	161,725	117,816	504,713
Travel and entertainment	151,439	74,955	449,751
Advertising and promotion	88,757	54,788	293,204
Insurance	58,672	33,604	136,768
Transfer agent fees	55,009	29,685	140,771
Directors fees	45,000	45,000	123,750
Accounting and corporate services	44,048	60,451	181,771
Telephone	28,432	15,694	74,798
Listing and filing fees	26,827	21,322	141,059
Flow-through tax penalty	20,870	19,494	40,364
Bank service charges	12,803	3,952	21,913
Foreign exchange loss (gain)	5,315	4,527	24,244
Stock-based compensation (Note 7)	-	14,438	767,742
Property holding costs	-	21,507	21,507
Other	(883)	1,498	3,523
	\$ 3,059,475	\$ 1,219,864	\$ 7,521,437

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17. Segmented Financial Information

The Company has been directly or indirectly engaged in 2008 and 2007 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.

18. Comparative Figures

Certain comparative figures have been reclassified to conform with current period financial statement presentation.

19. Subsequent Events

Subsequent to September 30, 2008, the Company has completed three tranches of a non-brokered private placement of \$3,450,000 through the sale of 27,600,000 flow-through units, at \$0.125 per unit, to a group of institutional investors. Each unit consists of one flow-through common share plus one-half of one share purchase warrant. Each whole warrant is exercisable at \$0.20 for 24 months from the closing date of the offering.

An aggregate finders' fee of \$204,000 in cash together with 2,176,000 broker warrants, on the same terms as the subscribers' units, was paid.

If the Company's common shares achieve a closing price of \$0.30 or higher for a period of 21 consecutive trading days, the Company may, at any time after the expiry of the hold period, notify the warrant holders that all unexercised warrants will expire 30 days following the date that the notice is issued.

All securities are subject to a four month hold period from the respective closing date of each financing under the private placement which expire on February 19, 2009 and February 25, 2009 respectively.