Sage Gold Inc.
(A Development Stage Company)

Consolidated Financial Statements
For the years ended September 30, 2010 and 2009

(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 years ended September 30, 2010 and 2009 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 15, 2010

PRICEWATERHOUSECOOPERS

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December 15, 2010

Auditors' Report

To the Shareholders of
Sage Gold Inc.

We have audited the consolidated balance sheets of Sage Gold Inc. (the Company) as at September 30, 2010 and 2009 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, 2010. 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 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, 2010 and 2009 and the results of its operations and its cash flows for each of the years in the two-year period ended September 30, 2010 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

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

September 30	2010	2009
Assets		
Current		
Cash and cash equivalents	**$ 191,041**	$ 545,065
Short-term investments	**20,000**	1,520,000
Other assets	**378,605**	172,318
	589,646	2,237,383
Other assets	**-**	170,753
Investment in mineral exploration companies (Note 6(ii)(ix))	**597,040**	67,252
Mineral properties (Note 6)	**17,062,960**	15,173,600
Property held for sale	-	780,000
Equipment, net of accumulated amortization (Note 7)	**62,646**	81,917
	$ 18,312,292	$ 18,510,905
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	**$ 821,682**	$ 713,001
Future income tax liability (Note 12)	**1,599,745**	1,373,620
	2,421,427	2,086,621
Shareholders' equity		
Share capital (Note 8(b))	**22,634,957**	21,696,268
Warrants (Note 9)	**1,455,614**	2,401,622
Contributed surplus	**5,947,039**	4,204,245
Deficit	**(14,130,585)**	(11,819,103)
Accumulated other comprehensive loss	**(16,160)**	(58,748)
	15,890,865	16,424,284
	$ 18,312,292	$ 18,510,905

Going concern (Note 1(b))
Commitments (Note 15)
Subsequent Events (Note 18)

Approved on behalf of the Board:

(signed) Patrick J. Mars Director

(signed) C.Nigel Lees Director

SAGE GOLD INC.

Sage Gold Inc.
(A Development Stage Company)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

For the years ended September 30	2010	2009	Cumulative from inception September 15, 2003
Expenses			
General and administrative (Note 16)	**$ 1,931,283**	$ 1,964,794	$ 11,417,514
Amortization	**24,160**	21,724	65,415
Write off of mineral properties (Note 6(ix))	**386,579**	2,550,119	3,607,045
Loss on prepayment of receivable (Note 6(ii))	**100,000**	-	100,000
Net loss before the following	**2,442,022**	4,536,637	15,189,974
Interest received	**391**	11,761	153,671
Deficit on acquisition (Note 5)	**-**	(1,750,751)	(1,750,751)
Net loss before the income taxes	**(2,441,631)**	(6,275,627)	(16,787,054)
Future income tax recovery (Note 12)	**130,149**	1,128,380	2,725,470
Net loss for the year	**(2,311,482)**	(5,147,247)	(14,061,584)
Other comprehensive loss	**42,588**	(33,625)	(16,160)
Net loss and comprehensive loss for the year	**$ (2,268,894)**	$ (5,180,872)	$ (14,077,744)
Loss per common share (Note 13)	**$ (0.08)**	$ (0.29)	

SAGE GOLD INC.

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)

	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
Balance, October 1, 2008	**$ 15,376,872**	**$ 2,224,550**	**$ 3,202,117**	**$ (25,123)**	**$ (6,671,856)**	**$ 14,106,560**
Private placements - Flow-through common shares	3,450,000	-	-	-	-	3,450,000
Private placements - Common shares	601,110	-	-	-	-	601,110
Warrants valuation	(698,496)	698,496	-	-	-	-
Mineral properties acquisition	36,222	-	-	-	-	36,222
Acquisition - Consolidated Puma Minerals Corp.	4,205,155	-	-	-	-	4,205,155
Cost of issue - Cash	(271,617)	-	-	-	-	(271,617)
Cost of issue - Compensation options	(101,978)	-	101,978	-	-	-
Cost of issue - Flow-through renunciation	(901,000)	-	-	-	-	(901,000)
Cost of issue - Compensation options granted on Puma acquisition	-	-	155,781	-	-	155,781
Warrants expired	-	(521,424)	521,424	-	-	-
Stock based compensation	-	-	222,945	-	-	222,945
Other comprehensive loss	-	-	-	(33,625)	-	(33,625)
Net loss for the year	-	-	-	-	(5,147,247)	(5,147,247)
Balance, September 30, 2009	**$ 21,696,268**	**$ 2,401,622**	**$ 4,204,245**	**$ (58,748)**	**$ (11,819,103)**	**$ 16,424,284**
Private placement - Flow-through common shares	804,000	-	-	-	-	804,000
Private placements - Common shares	1,016,260	-	-	-	-	1,016,260
Mineral properties acquisition	188,569	56,468	-	-	-	245,037
Warrants valuation	(700,650)	700,650	-	-	-	-
Cost of issue - Cash, net of future income tax	(85,202)	-	-	-	-	(85,202)
Cost of issue - Compensation options	(83,288)	-	83,288	-	-	-
Cost of Issue - Flow-through renunciation	(201,000)	-	-	-	-	(201,000)
Warrants expired, net of future income tax	-	(1,703,126)	1,490,235	-	-	(212,891)
Stock based compensation	-	-	169,271	-	-	169,271
Other comprehensive loss	-	-	-	42,588	-	42,588
Net loss for the year	-	-	-	-	(2,311,482)	(2,311,482)
Balance, September 30, 2010	**$ 22,634,957**	**$ 1,455,614**	**$ 5,947,039**	**$ (16,160)**	**$ (14,130,585)**	**$ 15,890,865**

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

For the years ended September 30	2010	2009	Cumulative from inception September 15, 2003
Cash flows provided by (used in)			
Operating activities			
Net loss for the year	**$ (2,311,482)**	$ (5,147,247)	$ (14,061,584)
Items not affecting cash:			
Amortization	**24,160**	21,724	65,415
Future income tax recovery	**(130,149)**	(1,128,380)	(2,725,470)
Stock-based compensation	**161,906**	197,699	2,595,467
Investment in mineral exploration company	**-**	-	(126,000)
Deficit on acquisition	**-**	1,750,751	1,750,751
Write-off of mineral properties	**386,579**	2,550,119	3,431,341
Loss on prepayment of receivable	**100,000**	-	100,000
Changes in non-cash working capital balances:			
Change in other assets	**577,826**	158,546	239,778
Change in accounts payable and accrued liabilities	**(106,133)**	195,701	34,831
	(1,297,293)	(1,401,087)	(8,695,471)
Investing activities			
Redemption (purchase) of short term investments	**1,500,000**	(1,500,000)	(20,000)
Purchase of investment in mineral exploration companies	**(207,200)**	-	(207,200)
Deferred costs	**-**	-	(36,657)
Additions to mineral properties	**(2,030,905)**	(3,270,370)	(19,739,081)
Additions to mineral properties - stock based compensation	**7,368**	25,246	629,865
Additions to equipment	**(4,889)**	(54,588)	(128,801)
	(735,626)	(4,799,712)	(19,501,874)
Financing activities			
Issuance of shares and warrants, net of costs	**1,678,895**	3,779,493	25,741,425
Cash proceeds from Puma Acquisition, net of costs	**-**	2,610,185	2,610,185
	1,678,895	6,389,678	28,351,610
Net (decrease) increase in cash and cash equivalents during the year	**(354,024)**	188,879	154,265
Cash and cash equivalents, beginning of the year	**545,065**	356,186	36,776
Cash and cash equivalents, end of the year	**$ 191,041**	$ 545,065	$ 191,041

Supplemental Cash Flow Information (Note 14)

SAGE GOLD INC.

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

For the year ended September 30	2010	2009	Cumulative from inception of project
Onaman Property, Canada (Note 6 (iii))			
Opening balance	**$ 7,728,704**	$ 7,487,566	$ -
Property acquisition costs	**15,832**	12,500	577,229
Claim management and other property maintenance costs	**1,693**	2,049	8,071
Geological consulting and services	**17,990**	113,672	1,609,888
Geochemistry and geophysics	**43,149**	36,201	796,191
Assays and analyses	**6,470**	8,326	399,388
Travel and accommodation	**18,826**	41,529	416,754
Drilling and linecutting	**-**	(46,094)	2,993,192
Trenching and stripping	**25,390**	10,140	544,861
Equipment rental	**-**	7,875	152,173
Field expenses	**711**	(5,035)	84,980
Reports	**-**	28,606	28,606
Other	**4,624**	31,369	252,056
Royalty payments	**30,000**	-	30,000
Activity during the period	**164,685**	241,138	7,893,389
Closing balance	**$ 7,893,389**	$ 7,728,704	$ 7,893,389
Jacobus Property, Canada (Note 6 (iv))			
Opening balance	**$ 5,343,295**	$ 3,574,132	$ -
Property acquisition costs	**122**	25,000	142,009
Claim management and other property maintenance costs	**-**	-	17,792
Geological consulting and services	**8,413**	267,465	1,086,788
Geochemistry and geophysics	**32,014**	10,326	427,529
Assays and analyses	**7,609**	76,208	259,342
Travel and accommodation	**28,792**	198,890	307,184
Drilling and linecutting	**-**	304,307	1,694,966
Trenching and stripping	**9,859**	518,828	893,726
Equipment rental	**25,225**	126,773	201,730
Field expenses	**547**	42,225	138,402
Royalty payments	**25,000**	-	25,000
Other	**6,935**	199,141	293,343
Activity during the period	**144,516**	1,769,163	5,487,811
Closing balance	**$ 5,487,811**	$ 5,343,295	$ 5,487,811

SAGE GOLD INC.

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

For the year ended September 30	2010	2009	Cumulative from inception of project
Beardmore Geraldton Properties, Canada (Note 6 (vii))			
Opening balance	**$ 1,831,575**	$ 611,983	$ -
Property acquisition costs	**285,141**	117,698	642,341
Claim management and other property maintenance costs	**10,594**	1,265	13,124
Geological consulting and services	**125,125**	269,816	482,410
Geochemistry and geophysics	**72,143**	110,765	304,058
Assays and analyses	**125,142**	64,242	193,651
Travel and accommodation	**22,699**	49,713	90,305
Drilling and linecutting	**401,453**	196,269	611,539
Trenching and stripping	**144,653**	285,353	533,015
Equipment rental	**34,230**	15,780	67,332
Other	**116,570**	108,691	231,550
Activity during the period	**1,337,750**	1,219,592	3,169,325
Closing balance	**$ 3,169,325**	$ 1,831,575	$ 3,169,325
Clavos Project, Canada (Note 6 (viii))			
Opening balance	**$ -**	$ -	$ -
Project acquisition costs	**50,000**	-	50,000
Geological consulting and services	**51,726**	-	51,726
Geochemistry and geophysics	**35,224**	-	35,224
Travel and accommodation	**31,920**	-	31,920
Equipment rental	**3,585**	-	3,585
Other	**53,570**	-	53,570
Activity during the period	**226,025**	-	226,025
Closing balance	**$ 226,025**	$ -	$ 226,025

SAGE GOLD INC.

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 year ended September 30	2010	2009	Cumulative from inception of project
Other Properties (Note 6 (v)(vi))			
Opening balance	**$ 270,026**	$ 285,363	$ -
Property acquisition costs	**-**	35,000	259,923
Claim management and other property maintenance costs	**1,992**	2,695	6,469
Geological consulting and services	**1,250**	2,901	62,809
Assays and analysis	**8,184**	-	8,184
Other	**4,958**	7,725	12,683
Activity during the period	**16,384**	48,321	350,068
Written off	**-**	(63,658)	(63,658)
Closing balance	**$ 286,410**	$ 270,026	$ 286,410
Kerrs Property, Canada (Note 6(i) and (ii))			
Opening balance	**$ 780,000**	$ 1,410,748	$ -
Property acquisition costs	**-**	37,500	261,830
Claim management and other property maintenance costs	**-**	5,319	71,598
Geological consulting and services	**-**	-	312,613
Geochemistry and geophysics	**-**	-	65,636
Assays and analyses	**-**	-	55,207
Travel and accommodation	**-**	19,858	101,640
Drilling and linecutting	**-**	-	875,079
Other	**-**	742	17,267
Earn-in	**-**	-	(255,840)
Management fees	**-**	-	(30,863)
Activity during the period	**-**	63,419	1,474,167
Written off	**(780,000)**	(694,167)	(1,474,167)
Closing balance	**$ -**	$ 780,000	$ -

SAGE GOLD INC.

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

For the year ended September 30	2010	2009	Cumulative from inception of project
Malartic Property, Canada (Note 6 (i))			
Opening balance	**$ -**	$ 12,511	$ -
Property acquisition costs	**-**	-	1,778
Claim management and other property maintenance costs	**-**	-	20,129
Geological consulting and services	**-**	-	26,183
Geochemistry and geophysics	**-**	-	9,581
Earn-in	**-**	-	(45,160)
Activity during the period	**-**	-	12,511
Written off	**-**	(12,511)	(12,511)
Closing balance	**$ -**	$ -	$ -
Total Mineral Properties in Canada	**$17,062,960**	$15,953,600	$17,062,960

SAGE GOLD INC.

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 year ended September 30	2010	2009	Cumulative from inception of project
Borealis Gold Project, United States (Note 6 (ix))			
Opening balance	**$ -**	$ -	$ -
Project acquisition costs	**105,900**	-	105,900
Geochemistry and geophysics	**5,007**	-	5,007
Other	**275,672**	-	275,672
Activity during the period	**386,579**	-	386,579
	386,579	-	386,579
Written off	**(386,579)**	-	(386,579)
Closing balance	**$ -**	$ -	$ -
Pony Spur, Dike, Corridors and Sugarloaf Properties, United States (Note 6 (x))			
Opening balance	**$ -**	$ 842,031	$ -
Property acquisition costs	**-**	-	520,313
Claim management and other property maintenance costs	**-**	-	97,370
Geological consulting and services	**-**	776	265,997
Geochemistry and geophysics	**-**	-	244,062
Assays and analyses	**-**	-	13,338
Travel and accommodation	**-**	-	29,590
Drilling and linecutting	**-**	-	54,077
Field expenses	**-**	-	28,282
Other	**-**	240	18,412
Advances	**-**	-	3,488
Recovery of costs	**-**	-	(31,059)
Impairment charge - Sugarloaf	**-**	-	(87,858)
Activity during the period	**-**	1,016	1,156,012
	-	843,047	1,156,012
Written off	**-**	(843,047)	(1,156,012)
Closing balance	**$ -**	$ -	$ -

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

For the year ended September 30	2010	2009	Cumulative from inception of project
Gold Hill Property, United States (Note 6 (xi))			
Opening balance	**$ -**	$ 972,793	$ -
Property acquisition costs	**-**	-	109,849
Geological consulting and services	**-**	776	117,018
Assays and analyses	**-**	320	25,053
Travel and accommodation	**-**	-	20,988
Drilling and linecutting	**-**	11,441	1,144,739
Other	**-**	(509)	19,621
Road costs	**-**	-	48,257
Recovery of costs	**-**	(48,085)	(548,789)
Activity during the period	**-**	(36,057)	936,736
	-	936,736	936,736
Written off	**-**	(936,736)	(936,736)
Closing balance	**$ -**	$ -	$ -
Total Mineral Properties in United States	**$ -**	$ -	$ -
TOTAL	**$17,062,960**	$15,953,600	$17,062,960

SAGE GOLD INC.

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).

On May 14, 2010, the Company consolidated its shares on a 1:10 basis. The share consolidation has been reflected in these consolidated financial statements and all applicable references to the number of shares and per share information have been restated.

As a 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 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, 2010, the Company reported a loss after tax of $2.3 million, an accumulated deficit of $14.1 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 develop its projects 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 GAAP and presented in Canadian dollars.

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 investments

The short-term investments consist of Guaranteed Investment Certificates bearing interest at a variable rate with original maturity of one year or less. They have been designated as held for trading for financial instruments purposes.

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.

2. Summary of Significant Accounting Policies (Continued)

Mineral properties (continued)

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:

- 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; and
- other indications the project is not viable exist;

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%.

Vehicles are 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 10. 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 10. 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.

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.

2. Summary of Significant Accounting Policies (Continued)

New Accounting Policies

Financial Instruments

During 2009, CICA Handbook Section 3862, Financial Instruments - Disclosures ("Section 3862") was amended to require disclosure about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabiliites.
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and ;
- Level 3 - Inputs that are not based on observable market data.

The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations as at September 30, 2010.

Future Accounting Pronouncements

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2010: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling interests". These new standards will be effective for fiscal years beginning on or after January 1, 2011. Section 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3, "Business Combinations". Sections 1601 and 1602 together replace section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS-27, "Consolidated and Separate Financial Statements". The Company is in the process of evaluating the requirements of the new standards.

3. Capital Management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis. The Company considers its capital to be equity, comprising share capital, warrants, contributed surplus, accumulated other comprehensive loss and deficit which at September 30, 2010 totaled $15,890,865. The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is regularly updated based on activities related to its mineral properties. Selected information is frequently provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the year ended September 30, 2010.

4. Financial Risk Factors

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, short-term investments 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 investments are held with the Royal Bank of Canada, from which management believes the risk of loss to be minimal. Receivables included in other assets consist of harmonized sales tax due from the Federal Government of Canada and receivables from unrelated companies. Receivables included in other assets are current as of September 30, 2010. Management believes that the credit risk concentration with respect to receivables included in other assets is minimal.

4. Financial Risk Factors (Continued)

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities and interest income earned on its short-term investments. The Company has cash and cash equivalents and short-term investments of $211,041 (September 30, 2009 - $2,065,065) to settle current liabilities of $821,682 (September 30, 2009 - $713,001). The short-term investments are invested in guaranteed investment certificates held by the Royal Bank of Canada. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

Interest rate risk

Interest rate risk is the impact that changes in interest rates could have on the Company's earnings and liabilities. In the normal course of business, the Company is exposed to interest rate fluctuations as a result of short-term investments being invested in interest-bearing instruments. Short-term investments include guaranteed investment certificates at call which have variable interest rates.

Foreign currency risk

Foreign currency risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting. 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.

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

4. Financial Risk Factors (Continued)

Market risk (Continued)

Commodity and equity 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 minerals, individual equity movements, and the stock market in general to determine the appropriate course of action to be taken by the Company.

The Company's investment in a mineral exploration companies is subject to fair value fluctuations arising from changes in the equity and commodity markets.

Fair value

The Company has, for accounting purposes, designated its cash and cash equivalents and short-term investments as held-for-trading, which are measured at fair market value. Other assets are classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair market value due to their short term nature. Investment in mineral exploration companies are classified for accounting purposes as available for sale and are measured at fair value. Accounts payable and accrued liabilities are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which also equals fair market value due to its short term nature.

Fair market value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

Sensitivity analysis

Based on management's knowledge of and experience with the financial markets, the Company believes the following movements are "reasonably possible" over a one year period:

(i) The Company's short-term investments of $20,000 are subject to variable interest rates. As at September 30, 2010, if interest rates had decreased/increased by 1% with all other variables held constant, the loss for the year ended September 30, 2010 would not have a material impact on the financial statements.

(ii) The Company's investment in mineral exploration companies amounting to $597,040 is subject to fair value fluctuations. As at September 30, 2010, if the fair value of the Company's marketable securities had decreased/increased by 50% with all other variables held constant, comprehensive loss for the year ended September 30, 2010 would have been approximately $299,000 higher/lower. Similarly, as at September 30, 2010, reported shareholders' equity would have been approximately $299,000 lower/higher as a result of a 50% decrease/increase in the fair value of the Company's investment in a mineral exploration companies.

(Expressed in Canadian Dollars)

4. Financial Risk Factors (Continued)

Sensitivity analysis (Continued)

(iii) Commodity price risk could affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market of precious metals. As of September 30, 2010, the Company was not a producing entity. As a result, commodity price risk could affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. 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.

Fair value hierarchy and liquidity risk disclosure

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at September 30, 2010:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 191,041	$ -	$ -	$ 191,041
Short-term investments	20,000	-	-	20,000
Investment in mineral exploration companies	597,040	-	-	597,040

(Expressed in Canadian Dollars)

5. Acquisition of Consolidated Puma Minerals Corp.

On August 6, 2009, Sage completed its acquisition of Consolidated Puma Minerals Corp. ("Puma") pursuant to a Plan of Arrangement ("Arrangement") dated June 23, 2009. Under the terms of the Arrangement Sage acquired 100% of the outstanding shares of Puma.

As consideration for the acquisition, the Company issued 6,229,909 of its common shares to the shareholders of Puma, with Puma shareholders receiving 0.1202 common shares of Sage in exchange for each common share of Puma. In addition, Sage granted 342,570 common stock purchase options to existing Puma option holders, with Puma option holders receiving 0.1202 options in common shares of Sage for each Puma option. See Note 1(a).

The acquisition of Puma has been treated for accounting purposes as a purchase of assets with a value of $4,593,895 including acquisition costs. The value ascribed to each Sage share was determined using the closing market value of the Sage shares on the date of closing of the transaction (Cdn $0.70). See Note 1(a).

The following table summarizes the allocation of the acquisition consideration to the estimated fair value of the assets and liabilities acquired.

Calculation of Cost of Acquisition:

Issuance of shares by Sage	$	4,360,936
Acquisition costs		232,959
	$	4,593,895

Allocation of Cost of Acquisition:

Cash and cash equivalents	$	2,980,146
Accounts receivable and prepaids		42,448
Accounts payable and accrued liabilities		(179,450)
Deficit on acquisition		1,750,751
	$	4,593,895

6. Mineral Properties

Canadian Properties

(i) Newmont Agreement Property

The Company acquired certain Newmont properties in 2003 located in Kerrs Township, Ontario and in several townships in Quebec upon the issuance of 40,000 treasury shares. See Note 1(a).

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.

Sage also earned a 100% interest in a claim adjacent to the Kerrs property, subject to a NSR of 1.5%, by completing a 3 year exploration program involving expenditures of $160,000 in addition to cash payments to the holder of the claim totaling $35,000. The NSR can be purchased for $500,000.

Pursuant to the sale of the Kerrs property to Sheltered Oak Resources Inc. per Note 6 (ii), Sage's obligations relating to the Kerrs property were transferred to the purchaser.

(ii) Kerrs - Kidston/Dyment Property

The Company has an option agreement 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. The Company has paid $30,000 in cash and issued 33,731 shares (valued at $32,500) on this agreement. See Note 1(a).

The Vendor 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.

Newmont Agreement Property and Kerrs - Kidston/Dyment Property

Sage subsequently entered into a three year option agreement with Sheltered Oak Resources Inc. (a private Ontario corporation, "OAK" and wholly owned subsidiary of Sheltered Oak Resources Corp., "Sheltered Oak") whereby OAK may earn a 55% interest in the Kerrs property and a 100% interest in the Chibougamau (Barlow) and Malartic properties by making cash payments totaling $360,000 and incurring $2,195,500 in exploration expenditures.

In addition, Sheltered Oak issued to Sage 672,516 shares of Sheltered Oak valued at $67,252 as at September 30, 2009 and 186,810 warrants exercisable at $2.70 per warrant. For financial statement presentation, the investment has been designated as available for sale. See Note 1(a).

6. Mineral Properties (Continued)

(ii) Kerrs - Kidston/Dyment Property (Continued)

On February 13, 2009, the Company issued 15,625 common shares (valued at $12,500) in accordance with the terms of an option agreement on the Kindston/Dyment Property. See Note 1(a).

On December 23, 2009, Sage and Sheltered Oak Resources Inc. ("OAK") jointly announced that OAK had completed a transaction whereby OAK purchased a 100% interest in Sage's unpatented claims and interests in the Larder Lake Mining district in Kerrs Township in the Abitibi Greenstone belt of Ontario.

In consideration thereof, Sage received 2 million common shares of OAK upon closing and $500,000 in cash (secured by a charge on the Kerrs gold property), to be paid to Sage twelve months following the date of closing of the Purchase Agreement. Sage will receive a 2% Net Smelter Royalty on the Kerrs Gold Property of which 1% can be purchased from Sage by OAK at any time for $500,000. OAK will also pay Sage an advance royalty payment of $125,000, payable in five annual installments with the first payment due twenty-four months following the date of closing of the Purchase Agreement.

On August 4, 2010, the Company reached an agreement with OAK to settle the $500,000 due from OAK for $400,000.

(iii) Onaman Property

The Onaman property includes the Company's copper/gold/sliver Lynx deposit. Sage earned a 100% interest in the property through cash payments of $75,000, the issuance of 20,000 treasury shares (valued at $36,000) and work commitments totaling $325,000. The vendors retain a 2% NSR on base metals and a 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. See Note 1(a).

(iv) Jacobus Property

The Jacobson property includes the "Golden Extension" zone in addition to the Cox copper/nickel deposit. Sage earned 100% interest in the property through cash payments of $75,000 and work commitments totaling $325,000. The vendor retains a 2% NSR on base metals and a 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.

(v) Nicole Property

Sage paid $40,000 in cash for the property, including consulting services, in January 2007. As at March 31, 2009, management decided that further exploration work would not be performed on the property, and therefore all costs have been written off.

(vi) Hopkins Properties

The Hopkin properties were acquired in February, 2008 for a cash cost of $250,000. The vendor retains a 2% NSR. The Company can repurchase 1/2 of the NSR of $1,000,000.

6. 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 20,000 treasury common shares of Sage (15,000 shares issued and valued at $45,000) plus total cash payments of $75,000 ($50,000 paid). The cash payments and share issuances are over a three year period. See Note 1(a).

(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 18,000 treasury common shares of Sage (15,500 shares issued and valued at $38,800) and total cash payments of $60,000 ($35,000 paid). The cash payments and share issuances are over a three year period. See Note 1(a).

(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 25,000 treasury common shares of Sage (15,000 shares issued and valued at $45,000) plus total cash payments of $78,200 ($50,000 paid). The cash payments and share issuances are over a three year period. See Note 1(a).

(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 ($50,000 paid) and issuing $65,000 of share consideration over the first four years of the agreement (17,893 shares issued and valued at $26,138) and by making a final payment of $75,000 in a mixture of cash and shares in the fifth year. See Note 1(a).

In the event the Company does not comply with the terms and conditions of an 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.

6. Mineral Properties (Continued)

(viii) Clavos Project

On February 9, 2010, the Company entered into an Option Agreement with St. Andrew Goldfields Ltd. ("SAS" or "St. Andrew Goldfields") on the Clavos Project ("Clavos") located in the Timmins Mining District in Northeastern Ontario, within the Abitibi greenstone belt.

Sage has the option to earn a 60% undivided interest in the Clavos project. The Option will be deemed to be fully exercised upon Sage incurring exploration expenditures on the project, issuing shares to St. Andrew Goldfields and making cash payments during the term of the three year Option period as summarized below:

- Sage will issue 50,000 shares (issued) (valued at $25,000) and make a cash payment of $25,000 (paid) to SAS upon Exchange approval of the Option Agreement.
- Sage will issue shares having an aggregate market value of $105,000 and make cash payments of $105,000. Shares having a market value of $30,000, $35,000 and $40,000, respectively, will be issued on the first, second and third anniversaries of the effective date of the Option agreement. Cash payments of $30,000, $35,000 and $40,000, respectively, will be made on the first, second and third anniversaries of the effective date of the Option agreement.
- Sage will incur $500,000 of expenditures in the first year with $3,000,000 exploration expenditures for the three year period.

Upon being vested with a 60% interest in the Project, Sage and SAS shall enter into a Joint Venture Agreement and the further development of the Project shall be governed by the Joint Venture Agreement. Without limitation, the Joint Venture Agreement shall provide that, in the event that SAS's interest in the Project is diluted at any time to less than 10%, SAS's interest in the Project will revert to a 2% NSR.

6. Mineral Properties (Continued)

(ix) Borealis Gold Project

On February 23, 2010 Sage and Gryphon Gold Corporation ("Gryphon") signed a binding Letter of Intent ("LOI") pursuant to which Gryphon agreed to grant Sage the right to earn a 50% undivided interest in the Borealis gold project located in the Walker Lane mineral belt of southwest Nevada. Concurrent with the terms of the LOI, Sage made a US$100,000 cash payment. In addition, Sage subscribed for US$200,000 Gryphon units on June 16, 2010. Each unit comprised one common share and one half of a share purchase warrant. The Company also issued 231,426 Sage shares (valued $69,428) plus 231,426 warrants (valued $56,468) exercisable at $0.44 for a term of 2 years from May 7, 2010.

On August 17, 2010, Sage and Gryphon mutually agreed to terminate the definitive option agreement signed on March 5, 2010. For the year ended September 30, 2010, the Company has written off expenditures of $386,579.

<u>Unites States Properties</u>

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

In October, 2004, the Company signed an agreement to earn a 100% interest over a five year period through a combination of cash and treasury shares. Sage paid a total of US $115,000 and issued treasury shares valued at US $187,500 through to September 30, 2008, at which time management determined that no further expenditures were planned on the Dike and Corridors properties, and accordingly the properties were written off. By June 30, 2009, management determined that no further expenditures were planned for the Pony Spur and Sugarloaf properties, and accordingly the properties were 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, subject to the issuance of 50,000 treasury shares (valued at $52,500), expending US $250,000 in exploration and issuing US $50,000 of treasury shares on the first anniversary (issued 19,961 shares valued at $50,940). See Note 1(a).

As at September 30, 2009, management decided that further exploration will not be performed on the property, and therefore all costs have been written-off.

(Expressed in Canadian Dollars)

7. Equipment

	Cost	Accumulated Amortization	Net Carrying Amount September 30, 2010
Office equipment	**$ 17,627**	**$ 9,272**	**$ 8,355**
Computer equipment	**15,238**	**9,412**	**5,826**
Vehicles	**92,069**	**43,604**	**48,465**
	$ 124,934	**$ 62,288**	**$ 62,646**

	Cost	Accumulated Amortization	Net Carrying Amount September 30, 2009
Office equipment	$ 14,947	$ 7,701	$ 7,246
Computer equipment	13,030	7,526	5,504
Vehicles	92,069	22,902	69,167
	$ 120,046	$ 38,129	$ 81,917

(Expressed in Canadian Dollars)

8. Share Capital

(a) Authorized
Unlimited number of common shares

(b) Issued

Common shares	Number of Shares	Amount
Balance, September 30, 2008	14,886,498	$ 15,376,872
Private placement - Flow-through common shares (c)(i)	2,760,000	3,450,000
Warrants valuation (c)(i)	-	(538,200)
Private placements - Common shares (d)(i)	1,001,851	601,110
Warrant valuation (d)(i)	-	(160,296)
Mineral properties acquisition	47,014	36,222
Puma acquisition	6,229,595	4,205,155
Cost of issue - Cash	-	(271,617)
Cost of issue - Compensation options	-	(101,978)
Cost of issue - Flow-through renunciation (c)(ii)	-	(901,000)
Balance, September 30, 2009	24,924,958	21,696,268
Private placements - Flow-through common shares (c)(iii)	1,340,000	804,000
Private placements - Common shares (d)(v)(vi)	4,619,364	1,016,260
Mineral properties acquisition (d)(ii)(iii) (Note 6(viii)(ix))	474,684	188,569
Warrant valuation (c)(iii)(d)(v)	-	(700,650)
Cost of issue - Cash, net of future income tax	-	(85,202)
Cost of issue - Compensation options (c)(iii)(d)(v)	-	(83,288)
Cost of issue - Flow-through renunciation (c)(iii)	-	(201,000)
Balance, September 30, 2010	31,359,006	$ 22,634,957

(c) Flow-Through Issuances

(i) In October 2008, the Company completed three tranches of a non-brokered private placement of $3,450,000 through the sale of 2,760,000 flow-through units, at $1.25 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 $2.00 for 24 months from the closing date of the offering. See Note 1(a)

If the Company's common shares achieve a closing price of $3.00 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.

8. Share Capital (Continued)

All securities are subject to a four month hold period from the respective closing date of each financing under the private placement which have expired. See Note 1(a).

An aggregate finders' fee of $204,000 in cash together with 217,600 compensation options, on the same terms as the subscribers' units, was paid. See Note 1(a).

The fair value of the 1,380,000 warrants and 217,600 compensation options was estimated at $538,200 and $84,864 respectively using the Black-Scholes option pricing formula with the following assumptions: expected dividend yield - 0%, expected volatility - 117%, risk-free interest rate - 2.09 to 2.30% and an expected average life of 2 years. See Note 1(a).

(ii) The issuance of flow-through common shares created a future income tax liability of $901,000 which was allocated as a cost of issuing the flow-through shares at the time of renunciation.

(iii) On December 18, 2009, the Company completed a non-brokered private placement of 1,340,000 flow-through units for gross proceeds of $804,000. Each unit consisting of one common share plus one non flow-through common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one additional common share at an exercise price of $1.00 during the first twelve months from closing, and of $1.20 for a period of twelve months following the first anniversary date of closing. If the Company's shares trade at or above $1.80 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. See Note 1(a).

The Company paid a finder's fee of $64,920 in cash and issued 107,200 broker warrants pursuant to the offering. The warrants are executable to purchase common share units at a price of $0.60 per unit. Each common share unit consists of one common share in the capital of the Company and one warrant to purchase common shares on the same terms as the warrants. All shares and warrants issued under the financing are subject to a four month hold period which expires on April 19, 2010.

The fair value of the 1,340,000 warrants and 107,200 compensation options was estimated at $294,800 and $30,016 respectively using the Black-Scholes option pricing formula with the following assumptions: expected dividend yield - 0%, expected volatility - 115 to 117.7%, risk-free interest rate - 1.30 to 1.31% and an expected average life of 2 years.

The issuance of these flow-through common shares created a future income tax liability of $201,000 which was allocated as a cost of issuing the flow-through shares at the time of renunciation

(iv) As at September 30, 2010, the Company has an obligation to issue a variable number of shares of up to a value of $213,360. The Company met its obligation to issue shares subsequent to year-end by issuing 969,818 shares at a value of $0.22 per share. See Note 18.

8. Share Capital (Continued)

(d) Non Flow-Through Private Placements

(i) On July 15, 2009, the Company closed a non-brokered private placement of Cdn $601,110 financing through the sale of 1,001,851 common share units, at $0.60 per unit, to a group of institutional investors. Each unit consists of one common share plus one-half of one share purchase warrant exercisable at $1.00 for 24 months from the closing date of the offering. If the Company's common shares achieve a closing price of $1.40 or higher for a period of 21 consecutive trading days, Sage may, at any time after the expiry of the hold period, notify the warrant holders that all unexercised warrants will expire in 30 days following the date that the notice is issued. See Note 1(a).

A finder's fee of $ 36,060 in cash together with 53,480 compensation options, on the same terms as the subscribers' units was paid. All securities are subject to a four month hold period which expires on November 16, 2010.

The fair value of the 500,925 warrants and 53,480 compensation options was estimated at $160,296 and $17,114 respectively using the Black-Scholes option pricing formula with the following assumptions: expected dividend yield - 0%, expected volatility - 124.9%, risk-free interest rate - 1.16 to 1.23% and an expected average life of 2 years. See Note 1(a).

(ii) On January 6, 2010, 49,758 common shares (valued at $22,391) were issued relating to the following property payments:

(1) 32,258 common shares in accordance with the terms of the Cote Two Rivers Option Agreement;
(2) 7,500 common shares in accordance with the terms of the Missing Link Option Agreement;
(3) 5,000 common shares in accordance with the terms of the Paint Lake Option Agreement;and
(4) 5,000 common shares in accordance with the terms of the King Solomon's Pillars Option Agreement.

(iii) On January 13, 2010, 143,500 common shares (valued at $71,750) were issued relating to the following property payments:

(1) 40,000 common shares in accordance with the terms of the King Solomon Pillars Option Agreement;
(2) 20,000 common shares in accordance with the terms of the Pauloski Option Agreement;
(3) 20,000 common shares in accordance with the terms of the Missing Link Option Agreement;
(4) 15,000 common shares in accordance with the terms of the Bearskin Lake Option Agreement;
(5) 10,000 common shares in accordance with the terms of the Vincent Lake Option Agreement;

(6) 10,000 common shares in accordance with the terms of the Clist Lake Option Agreement;
(7) 7,500 common shares in accordance with the terms of the South Rickaby Option Agreement;

8. Share Capital (Continued)

(8) 6,000 common shares in accordance with the terms of the Spooner Option Agreement;
(9) 5,000 common shares in accordance with the terms of the Crooked Green Lake Option Agreement;
(10) 5,000 common shares in accordance with the terms of the Final Lake Option Agreement;
(11) 5,000 common shares in accordance with the terms of the Crooked Green Creek Option Agreement.

(iv) On March 31, 2010, the Company's shareholders approved the share consolidation of the issued and outstanding common shares of the Company on the basis of one (1) post-consolidation common share for every ten (10) pre-consolidation common shares (the "Consolidation"). The Consolidation came into effect May 14, 2010.

(v) During the year ended September 30, 2010, the Company received final approval from the TSX Venture Exchange for a private placement of up to 11,363,636 common share units at a price of $0.22. The following private placements were closed:

On June 1, 2010, the Company completed the first tranche of the private placement of 2,553,000 units for gross proceeds of $561,660. Each unit consisted of one common share of the Company plus one-half of one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one additional common share at an exercise price of $0.33 up to June 1, 2012.

The Company paid a finder's fee of $24,930 in cash and issued 204,240 broker warrants pursuant to the offering. The warrants are executable to purchase common share units at a price of $0.22 per unit. Each common share unit consists of one common share of the Company plus one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one additional common share at an exercise price of $0.33 up to June 1, 2012.

The fair value of the 1,276,500 warrants and 204,240 compensation options was estimated at $234,365 and $39,030 respectively using the Black-Scholes option pricing formula with the following assumptions: expected dividend yield - 0%, expected volatility - 200.98%, risk-free interest rate - 1.73% and an expected average life of 2 years.

On June 11, 2010, the Company completed the second tranche of the private placement of 1,054,546 units for gross proceeds of $232,000. Each unit consisted of one common share of the Company plus one-half of one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one additional common share at an exercise price of $0.33 up to June 11, 2012.

(Expressed in Canadian Dollars)

8. Share Capital (Continued)

The Company paid a finder's fee of $16,800 in cash and issued 76,363 broker warrants pursuant to the offering. The warrants are executable to purchase one common share unit comprising of one common share of the Company at a price of $0.22 per share plus one-half common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one additional common share at an exercise price of $0.33 up to June 11, 2012.

The fair value of the 527,273 warrants and 76,363 compensation options was estimated at $94,435 and $14,242 respectively using the Black-Scholes option pricing formula with the following assumptions: expected dividend yield - 0%, expected volatility - 201.02%, risk-free interest rate - 1.78% and an expected average life of 2 years.

(vi) On July 21, 2010, the Company completed the third tranche of the private placement of 1,011,818 units for gross proceeds of $222,600. Each unit consisted of one common share of the Company plus one-half of one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one additional common share at an exercise price of $0.33 up to July 23, 2012. The Company paid a share issuance costs of $13,995 in cash.

The fair value of the 505,909 warrants was estimated at $77,050 using the Black-Scholes option pricing formula with the following assumptions: expected dividend yield - 0%, expected volatility - 201.23%, risk-free interest rate - 1.59% and an expected average life of 2 years.

9. Warrants

The following table shows the continuity of warrants for the years ended September 30, 2010 and 2009.

	Number of Warrants	**Weighted Average Exercise Price**
Balance, September 30, 2008	2,543,357	$ 6.40
Granted	1,880,925	1.70
Expired	(1,452,500)	7.70
Balance, September 30, 2009	2,971,782	2.80
Granted (Note 8(c)(iii)(d)(v)(d)(vi))[1]	3,881,108	0.60
Expired	(1,090,857)	(4.71)
Balance, September 30, 2010	5,762,033	$ 0.95

[1] On May 7, 2010, the Company issued 231,426 warrants in exchange for advisory services on the Borealis Gold Project (note 6(ix)). The warrants may be exercised to purchase one common share of the Company at a price of $0.44 per share. The fair value of the 231,426 warrants was estimated at $56,468 using the Black-Scholes option pricing formula with the following assumptions: expected dividend yield - 0%, expected volatility - 199.42%, risk-free interest rate - 1.81% and an expected average life of 2 years.

(Expressed in Canadian Dollars)

9. Warrants (continued)

The following are the warrants outstanding at September 30, 2010 with a weighted average exercise price of $0.95 each.

Number of Warrants	Black-Scholes Value	Exercise Price	Expiry Date
1,280,000	$ 499,200	$ 2.00	October 17, 2010
100,000	39,000	2.00	October 25, 2010
500,925	160,296	1.00	July 15, 2011
1,340,000	294,800	1.00	December 18, 2011
231,426	56,468	0.44	May 7, 2012
1,276,500	234,365	0.33	June 1, 2012
527,273	94,435	0.33	June 11, 2012
505,909	77,050	0.33	July 23, 2012
5,762,033	$ 1,455,614		

10. 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 (3,135,901 maximum common shares as at September 30, 2010) (2009 - 2,492,496 maximum common shares). See Note 1(a).

The following table shows the continuity of stock options and compensation stock options for the years ended September 30, 2010 and 2009:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2008	1,562,043	$ 2.80
Granted	620,000	1.00
Compensation options granted	271,080	1.80
Granted on business combination	342,570	1.00
Expired/Cancelled	(222,574)	2.50
Balance, September 30, 2009	2,573,119	2.40
Compensation options granted (Note 8(c)(iii)(d)(v))	387,803	0.33
Expired/Forfeited	(294,969)	(2.73)
Balance, September 30, 2010	2,665,953	$ 2.40

(Expressed in Canadian Dollars)

10. Stock Options (Continued)

Of the total options outstanding at the end of September 30, 2010, 2,007,070 options relate to the Plan. The unvested unamortized fair value of options granted as at September 30, 2010 amounted to $47,687 (2009 – $216,960).

During 2010, nil (2009 - 620,000) stock options were granted to members of management, board of directors, employees and consultants of the Company.

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

For the years ended September 30	2010	2009	Cumulative from Inception September 15, 2003
Directors' and management stock-based compensation	$ 69,261	$ 86,541	$ 1,112,667
Salary costs and benefits	16,947	17,781	127,983
Investor relations and corporate development	42,541	44,196	74,587
Professional fees	33,157	49,181	401,331
Mineral properties	7,368	25,246	604,889
Stock-based compensation	-	-	366,159
	$ 169,274	$ 222,945	$ 2,687,616

(Expressed in Canadian Dollars)

10. Stock Options (Continued)

The following table shows the options outstanding at September 30, 2010:

	Number of Options	Amount	Exercise Price	Weighted Average Remaining Contractual Life (years)	Expiry Date
Consultants	1,500	$ 1,200	$ 1.00	0.07	October 26, 2010
Management, Directors, Employees & Consultants	101,000	131,300	1.70	0.33	January 27, 2011
Directors, Officers & Consultants	72,120	-	14.56	0.55	April 17, 2011
Consultants	120,000	38,400	1.00	0.66	May 28, 2011
Directors, Officers, Consultants & Employees	211,500	226,305	1.40	0.66	May 29, 2011
Directors, Officers, Consultants & Employees	87,500	79,625	1.20	1.42	March 1, 2012
Consultant	30,000	36,600	1.60	2.00	September 27, 2012
Management, Directors, Employees & Consultants	279,500	489,125	2.40	2.05	October 15, 2012
Management, Directors, Employees & Consultants	278,500	1,036,020	5.00	2.21	December 13, 2012
Consultants	35,000	89,950	5.00	2.31	January 18, 2013
Consultants	20,000	35,000	2.50	2.64	May 20, 2013
Directors, Officers & Consultants	126,210	-	1.50	3.00	September 30, 2013
Directors, Officers & Consultants	144,240	-	0.83	3.43	March 3, 2014
Management, Directors, Employees & Consultants	500,000	325,000	1.00	3.87	August 10, 2014
Subtotal	2,007,070	2,488,525			
Compensation Options (i)	201,600	78,624	2.00	0.05	October 17, 2010
Compensation Options (i)	16,000	6,240	2.00	0.07	October 17, 2010
Compensation Options (ii)	53,480	17,114	1.00	0.78	July 10, 2011
Compensation Options (iii)	107,200	30,016	0.60	1.22	December 18, 2011
Compensation Options (iv)	204,240	39,030	0.22	1.67	June 1, 2012
Compensation Options (v)	76,363	14,242	0.22	1.70	June 11, 2012
	2,665,953	$ 2,673,791		1.97	

(Expressed in Canadian Dollars)

10. Stock Options (Continued)

(i) Upon exercise of the 217,600 compensation options, 217,600 common shares and 108,800 warrants will be issued. Each warrant is exercisable at $2.00 until October 17, 2010.

(ii) Upon exercise of the 53,480 compensation options, 53,480 common shares and 26,740 warrants will be issued. Each warrant is exercisable at $1.00 until July 10, 2011.

(iii) Upon exercise of the 107,200 compensation options, 107,200 common shares and 107,200 warrants will be issued. The warrants have the same terms as disclosed in Note 8(c)(iii).

(iv) Upon exercise of the 204,240 compensation options, 204,240 common shares and 102,120 warrants will be issued. The warrants have the same terms as disclosed in Note 8(d)(v).

(v) Upon exercise of the 76,363 compensation options, 76,363 common shares and 38,182 warrants will be issued. The warrants have the same terms as disclosed in Note 8(d)(v).

11. Related Party Transactions

The Company had the following related party transactions:

For the years ended September 30		**2010**		**2009**
Administrative and general expenses:				
Management fees to directors and officers	**$**	**217,000**	$	223,100
Consulting fees to companies owned by officers of the Company		**161,250**		127,500
Directors fees		**49,180**		45,820
Mineral properties:				
Consulting fees to officer	**$**	**-**	$	27,465

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:

For the years ended September 30		**2010**		**2009**
To directors and officers	**$**	**140,097**	$	31,436

(Expressed in Canadian Dollars)

12. Income Taxes

The following table reconciles the expected income tax recovery at the Canadian Federal and Provincial statutory rate of 29.7% (2009 - 31.1%) to the amounts recognized in the statements of operations:

For the years ended September 30	2010	2009
Net loss reflected in the statements of loss and comprehensive loss	$ (2,441,631)	$ (6,275,627)
Expected income tax recovery	(725,493)	(1,923,380)
Permanent differences	53,795	625,000
Tax rate changes and other adjustments	(634)	85,000
Effect of change in temporary differences not recognized	416,192	220,000
Valuation allowance	125,991	(135,000)
Income tax recovery reflected in the statement of operations	$ (130,149)	$ (1,128,380)
The Company's income tax (recovery) is split as follows:		
Current tax expense	$ 1,454	$ -
Future tax expense	(131,603)	(1,128,380)
Total tax expense	$ (130,149)	$ (1,128,380)

The Company's future income tax assets and liabilities are as follows:

	September 30 2010	September 30 2009
Future Income Tax Assets		
Non-capital losses	$ 2,402,043	$ 2,350,000
Capital assets	16,620	11,000
Undeducted share issue costs	190,852	255,000
U.S. mineral properties	844,991	719,000
Undeducted resource and other tax pools	61,825	73,000
	3,516,331	3,408,000
Less: allocated against future income tax liabilities	(2,671,339)	(2,689,000)
Less: valuation allowance	(844,992)	(719,000)
Net future income tax assets	$ -	$ -
Future Income Tax Liabilities		
Canadian mineral properties	$ 3,873,358	$ 3,720,620
Ontario mining tax	397,726	342,000
Less: reduction due to allocation of applicable future income tax assets	(2,671,339)	(2,689,000)
	$ 1,599,745	$ 1,373,620

SAGE GOLD INC.

(Expressed in Canadian Dollars)

12. Income Taxes (Continued)

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

Year of expiry	2013	$ 69,001
	2014	572,143
	2025	994,269
	2026	1,368,565
	2027	1,478,383
	2028	1,957,406
	2029	1,856,869
	2030	1,311,536
		$ 9,608,172

13. Loss Per Share

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

For the year ended September 30	2010	2009
Numerator		
Loss for the period	**$ (2,311,482)**	$ (5,147,247)
Denominator		
Average number of common shares outstanding	**27,601,760**	18,035,323
Basic and diluted loss per share	**$ (0.08)**	$ (0.29)

The effect of common share purchase options and warrants on the net loss per share in 2010 and 2009 is not reflected as to do so would be anti-dilutive. See Note 1(a).

14. Supplemental Cash Flow Information

For the year ended September 30	2010	2009
Non-cash financing activities		
Shares issued	**$ -**	$ (36,222)
Agents' compensation for private placement	**83,288**	-
Non-cash investing activities		
Additions to mineral properties	**$ (458,397)**	$ 25,246

(Expressed in Canadian Dollars)

15. 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 follow.

2011	20,833
	$ 20,833

(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, 2010, the Company is committed to incurring approximately $221,288 in qualifying exploration expenditures in Canada ("CEE") by December 31, 2010 arising from the flow-through offerings.

16. General and Administrative Detail

For the years ended September 30	2010	2009	Cumulative from inception September 15, 2003
Professional fees	**$ 581,183**	$ 387,636	$ 2,470,781
Investor relations and corporate development	**276,025**	340,341	1,224,566
Salary costs and benefits	**246,593**	237,887	1,158,665
Management fees	**217,000**	223,100	1,294,447
Office supplies	**146,103**	143,685	794,501
Directors' and management stock-based compensation	**69,261**	86,541	1,112,667
Advertising and promotion	**68,932**	43,079	405,215
Listing and filing fees	**67,293**	41,588	249,940
Travel and entertainment	**64,765**	83,059	597,575
Directors fees	**49,180**	45,820	218,750
Insurance	**43,129**	46,881	226,778
Accounting and corporate services	**42,213**	63,388	287,372
Telephone	**30,946**	24,160	129,904
Transfer agent fees	**22,462**	46,691	209,924
Flow-through tax penalty	**9,956**	143,253	193,573
Bank service charges	**9,906**	7,255	39,074
Stock-based compensation	**-**	-	767,742
Property holding costs	**-**	-	21,507
Other	**(6,602)**	-	(3,079)
Foreign exchange loss	**(7,062)**	430	17,612
	$ 1,931,283	$ 1,964,794	$ 11,417,514

SAGE GOLD INC.

17. Segmented Financial Information

The Company has been directly or indirectly engaged in 2010 and 2009 in the exploration and development 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. Subsequent Events

Subsequent to year-end, the Company announced the closing of a non-brokered private placement of 8,444,444 units at $0.18 per unit, each unit consisting of one common share plus one-half common share purchase warrant for gross proceeds of $1,520,000. Each whole common share purchase warrant shall entitle the holder to purchase one share at an exercise price of $0.28. The Company also closed a non-brokered private placement of 3,690,908 flow-through units at $0.22 per unit, each unit consisting of one common share plus one-half non flow-through common share purchase warrant for gross proceeds of $812,000. Each whole common share purchase warrant shall entitle the holder to purchase one share at an exercise price of $0.33.