Sage Gold Inc.

(A Development Stage Company)

Interim Consolidated Financial Statements
Three Months Ended December 31, 2008

(Expressed in Canadian Dollars)

(Unaudited)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of Sage Gold Inc. (A Development Stage Company) were prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles have been set out in the September 30, 2008 audited consolidated financial statements. Only changes in accounting policies have been disclosed in these unaudited interim consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited interim consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim consolidated financial statements and (ii) the unaudited interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim consolidated financial statements, they must be accompanied by a notice indicating that the consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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

	December 31, 2008	September 30, 2008
Assets		
Current		
Cash and cash equivalents	$ 224,755	$ 356,186
Short-term investments	1,976,687	20,167
Other assets	544,173	501,617
	2,745,615	877,970
Investment in mineral exploration company	53,801	100,877
Mineral properties	15,895,646	15,197,127
Equipment, net of accumulated amortization (Note 6)	45,446	48,886
	$ 18,740,508	$ 16,224,860
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	$ 352,787	$ 517,300
Future income tax liability	1,601,000	1,601,000
	1,953,787	2,118,300
Shareholders' equity		
Share capital	17,968,251	15,376,872
Warrants (Note 8)	2,762,750	2,224,550
Contributed surplus	3,355,945	3,202,117
Deficit	(7,228,026)	(6,671,856)
Accumulated other comprehensive loss	(72,199)	(25,123)
	16,786,721	14,106,560
	$ 18,740,508	$ 16,224,860

Going concern (Note 1(b))

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

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

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007	Cumulative from inception September 15, 2003
Expenses			
General and administrative (Note 14)	**$ 560,781**	$ 780,840	$ 8,082,218
Amortization	**3,440**	1,038	22,971
Write off of mineral properties	**-**	-	670,347
	564,221	781,878	8,775,536
Other income			
Interest received	**8,051**	33,901	149,570
Net loss before the following	**(556,170)**	(747,977)	(8,625,966)
Future income tax recovery	**-**	203,000	1,466,941
Net loss for the period	**(556,170)**	(544,977)	(7,159,025)
Other comprehensive loss	**(47,076)**	-	(72,199)
Net loss and comprehensive loss for the period	**$ (603,246)**	$ (544,977)	$ (7,231,224)
Loss per common share (Note 11)	**$ (0.00)**	$ (0.00)	

SAGE GOLD INC.

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

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

	Number of Securities	Three Months Ended December 31, 2008	Number of Securities	Year Ended September 30, 2008	Cumulative from inception September 15, 2003
Share capital					
Authorized					
Unlimited number of common shares					
Issued					
Balance at beginning of period	**148,864,983**	**$ 15,376,872**	111,182,002	$ 8,773,856	$ (345,068)
Conversion of special warrants	-	**-**	-	-	2,190,020
Private placements - Flow-through common shares	**27,600,000**	**3,450,000**	10,960,000	5,480,000	14,108,285
Private placements - Common shares	**-**	**-**	5,428,570	760,000	4,886,219
Finder's fees	**-**	**-**	-	-	30,000
Warrants valuation	**-**	**(538,200)**	-	(1,775,355)	(3,748,628)
Mineral properties acquisition	**-**	**-**	1,351,605	333,291	737,457
Exercise of warrants	**-**	**-**	16,981,997	3,229,630	3,850,592
Exercise of warrants valuation	**-**	**-**	-	828,890	918,402
Exercise of compensation options	**-**	**-**	1,415,809	158,617	175,829
Exercise of compensation options valuation	**-**	**-**	-	78,704	87,310
Exercise of broker options	**-**	**-**	-	-	49,218
Exercise of broker options valuation	**-**	**-**	-	-	9,718
Exercise of stock options	**-**	**-**	1,545,000	176,900	195,400
Exercise of stock options valuation	**-**	**-**	-	105,089	115,180
Cost of issue - Cash	**-**	**(235,557)**	-	(420,465)	(1,768,063)
Cost of issue - Finder's fees	**-**	**-**	-	-	(30,000)
Cost of issue - Compensation options	**-**	**(84,864)**	-	(246,285)	(591,679)
Cost of issue - Flow-through renunciation	**-**	**-**	-	(2,106,000)	(2,901,941)
Balance at end of period	**176,464,983**	**$ 17,968,251**	148,864,983	$ 15,376,872	$ 17,968,251

SAGE GOLD INC.

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

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

	Number of Securities	Three Months Ended December 31, 2008	Number of Securities	Year Ended September 30, 2008	Cumulative from inception September 15, 2003
Warrants					
Balance at beginning of period	**25,433,570**	**$ 2,224,550**	32,772,493	$ 1,335,307	$ 190,020
Conversion to common shares	**-**	**-**	-	-	(190,020)
Warrants granted	**13,800,000**	**538,200**	11,232,569	1,775,355	3,748,628
Warrants exercised	**-**	**-**	(16,981,997)	(828,890)	(918,402)
Expired warrants	**-**	**-**	(1,589,495)	(57,222)	(67,476)
Balance at end of period	**39,233,570**	**$ 2,762,750**	25,433,570	$ 2,224,550	$ 2,762,750
Contributed surplus					
Balance at beginning of period		**$ 3,202,117**		$ 1,241,578	$ -
Compensation options granted		**84,864**		246,285	581,961
Compensation options exercised		**-**		(78,704)	(87,310)
Broker options granted		**-**		-	9,718
Broker options exercised		**-**		-	(9,718)
Stock options exercised		**-**		(105,089)	(115,180)
Stock options vested		**68,964**		1,840,825	2,908,998
Expired warrants		**-**		57,222	67,476
Balance at end of period		**$ 3,355,945**		$ 3,202,117	$ 3,355,945

SAGE GOLD INC.

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

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

	Three Months Ended December 31, 2008	Year Ended September 30, 2008	Cumulative from inception September 15, 2003
Deficit			
Balance at beginning of period	**$ (6,671,856)**	$ (3,868,039)	$ (69,001)
Net loss for the period	**(556,170)**	(2,803,817)	(7,159,025)
Balance at end of period	**$ (7,228,026)**	$ (6,671,856)	$ (7,228,026)
Accumulated other comprehensive loss			
Balance at beginning of period	**$ (25,123)**	$ -	$ -
Other comprehensive loss	**(47,076)**	(25,123)	(72,199)
Balance at end of period	**$ (72,199)**	$ (25,123)	$ (72,199)
Total Shareholders' equity	**$ 16,786,721**	$ 14,106,560	$ 16,786,721

SAGE GOLD INC.

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

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

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007
Deficit		
Balance at beginning of period	**$ (6,671,856)**	$ (3,868,039)
Net loss for the period	**(556,170)**	(544,977)
Balance at end of period	**$ (7,228,026)**	$ (4,413,016)

SAGE GOLD INC.

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

Sage Gold Inc.

(A Development Stage Company)
Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007	Cumulative from inception September 15, 2003
Cash flows provided by (used in)			
Operating activities			
Net loss	**$ (556,170)**	$ (544,977)	$ (7,159,025)
Items not affecting cash:			
Amortization	**3,440**	1,038	22,971
Future income tax recovery	**-**	(203,000)	(1,466,941)
Stock-based compensation	**53,190**	358,621	2,289,052
Investment in mineral exploration company	**-**	-	(126,000)
Write-off of mineral properties	**-**	-	494,643
Changes in non-cash working capital balances:			
Change in other assets	**(49,076)**	(527,539)	(545,670)
Change in accounts payable and accrued liabilities	**(164,513)**	137,822	(219,250)
	(713,129)	(778,035)	(6,710,220)
Investing activities			
Purchase of short term investments	**(1,950,000)**	(6,483,566)	(1,970,000)
Deferred costs	**-**	-	(36,657)
Additions to mineral properties	**(698,519)**	(1,691,871)	(15,136,325)
Additions to mineral properties - stock based compensation	**15,774**	141,215	613,025
Additions to equipment	**-**	(2,347)	(69,324)
	(2,632,745)	(8,036,569)	(16,599,281)
Financing activities			
Issuance of shares, net of costs	**3,214,443**	7,753,500	23,497,480
Net increase (decrease) in cash and cash equivalents during the period	**(131,431)**	(1,061,104)	187,979
Cash and cash equivalents, beginning of the period	**356,186**	1,864,572	36,776
Cash and cash equivalents, end of the period	**$ 224,755**	$ 803,468	$ 224,755
Cash and cash equivalents consist of:			
Cash	**$ 224,755**	$ 785,238	$ 224,755
Cash held in trust	**-**	18,230	-
	$ 224,755	$ 803,468	$ 224,755

Supplemental Cash Flow Information (Note 12)

SAGE GOLD INC.

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

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007	Cumulative from inception of project
Kerrs Property, Canada (Note 5(a))			
Opening balance	**$ 1,410,748**	$ 1,479,543	$ -
Property acquisition costs	**-**	-	224,330
Claim management and other property maintenance costs	**-**	-	66,279
Geological consulting and services	**-**	16,012	312,613
Geochemistry and geophysics	**-**	-	65,636
Assays and analyses	**-**	-	55,207
Travel and accommodation	**-**	-	81,782
Drilling and linecutting	**-**	-	875,079
Other	**742**	-	17,267
Earn-in	**-**	-	(255,840)
Management fees	**-**	-	(30,863)
Activity during the period	**742**	16,012	1,411,490
Closing balance	**$ 1,411,490**	$ 1,495,555	$ 1,411,490
Malartic Property, Canada			
Opening balance	**$ 12,511**	$ 12,711	$ -
Property acquisition costs	**-**	-	1,778
Claim management and other property maintenance costs	**-**	3,700	20,129
Geological consulting and services	**-**	-	26,183
Geochemistry and geophysics	**-**	-	9,581
Earn-in	**-**	-	(45,160)
Activity during the period	**-**	3,700	12,511
Closing balance	**$ 12,511**	$ 16,411	$ 12,511

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

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

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007	Cumulative from inception of project
Onaman Property, Canada			
Opening balance	**$ 7,487,566**	$ 1,476,762	$ -
Geological consulting and services	**54,399**	113,110	1,532,625
Travel and accommodation	**12,796**	21,611	369,195
Geochemistry and geophysics	**6,658**	121,752	723,499
Equipment rental	**5,625**	6,816	149,923
Other	**4,691**	190,259	220,754
Assays and analyses	**3,402**	14,420	387,994
Drilling and linecutting	**1,251**	37,935	3,040,537
Field expenses	**198**	2,910	89,502
Property acquisition costs	**-**	7,826	548,897
Trenching and stripping	**-**	-	509,331
Claim management and other property maintenance costs	**-**	-	4,329
Reallocation to other Beardmore-Geraldton properties	**(82,655)**	-	(82,655)
Activity during the period	**6,365**	516,639	7,493,931
Closing balance	**$ 7,493,931**	$ 1,993,401	$ 7,493,931
Jacobus Property, Canada			
Opening balance	**$ 3,574,132**	$ 1,521,186	$ -
Trenching and stripping	**256,918**	-	621,957
Geological consulting and services	**92,819**	157,922	903,729
Travel and accommodation	**33,690**	22,976	113,192
Equipment rental	**30,229**	12,804	79,961
Assays and analyses	**22,581**	37,909	198,106
Other	**7,345**	33,628	94,612
Drilling and linecutting	**3,758**	570,142	1,394,417
Field expenses	**132**	16,742	95,762
Geochemistry and geophysics	**-**	95,890	385,189
Property acquisition costs	**-**	-	116,887
Claim management and other property maintenance costs	**-**	-	17,792
Activity during the period	**447,472**	948,013	4,021,604
Closing balance	**$ 4,021,604**	$ 2,469,199	$ 4,021,604

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

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007	Cumulative from inception of project
Nicole Property, Canada			
Opening balance	**$ 63,658**	$ 63,658	$ -
Property acquisition costs	**-**	-	5,000
Geological consulting and services	**-**	-	58,658
Activity during the period	**-**	-	63,658
Closing balance	**$ 63,658**	$ 63,658	$ 63,658
Hopkins Properties, Canada (Note 5(b))			
Opening balance	**$ 221,705**	$ -	$ -
Property acquisition costs	**35,000**	-	254,923
Claim management and other property maintenance costs	**-**	-	1,782
Activity during the period	**35,000**	-	256,705
Closing balance	**$ 256,705**	$ -	$ 256,705
Beardmore/Geraldton Properties, Canada			
Opening balance	**$ 611,983**	$ -	$ -
Geochemistry and geophysics	**73,805**	-	194,955
Trenching and stripping	**53,531**	-	156,540
Drilling and linecutting	**33,491**	-	47,308
Geological consulting and services	**29,547**	-	117,016
Assays and analyses	**8,731**	-	12,998
Travel and accommodation	**1,628**	-	19,521
Equipment rental	**(5,106)**	-	12,216
Property acquisition costs	**-**	-	239,502
Other	**-**	-	6,289
Claim management and other property maintenance costs	**-**	-	1,265
Activity during the period	**195,627**	-	807,610
Closing balance	**$ 807,610**	$ -	$ 807,610
Total Mineral Properties in Canada	**$ 14,067,509**	$ 6,038,224	$ 14,067,509

SAGE GOLD INC.

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

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007	Cumulative from inception of project
Triple Junction and Dixie Fork Properties, United States			
Opening balance	**$ -**	$ 101,326	$ -
Property acquisition costs	**-**	67,039	78,382
Claim management and other property maintenance costs	**-**	-	14,492
Geochemistry and geophysics	**-**	-	21,042
Geological consulting and services	**-**	-	31,840
Travel and accommodation	**-**	-	19,581
Other	**-**	-	7,526
Activity during the period	**-**	67,039	172,863
	-	168,365	172,863
Write off	**-**	-	(172,863)
Closing balance	**$ -**	$ 168,365	$ -
Pony Spur, Dike, Corridors and Sugarloaf Properties, United States			
Opening balance	**$ 842,031**	$ 820,467	$ -
Property acquisition costs	**-**	106,633	520,313
Advances	**-**	-	3,488
Geological consulting and services	**776**	12,343	265,997
Geochemistry and geophysics	**-**	40,398	244,062
Assays and analyses	**-**	13,338	13,338
Travel and accommodation	**-**	6,420	29,590
Claim management and other property maintenance costs	**-**	-	97,370
Field expenses	**-**	11,513	28,282
Drilling and linecutting	**-**	54,077	54,077
Other	**-**	16,875	18,172
Recovery of costs	**-**	-	(31,059)
Impairment charge - Sugarloaf	**-**	-	(87,858)
Activity during the period	**776**	261,597	1,155,772
	842,807	1,082,064	1,155,772
Write off - Dike, Corridors	**-**	-	(312,965)
Closing balance	**$ 842,807**	$ 1,082,064	$ 842,807

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

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

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007	Cumulative from inception of project
Big Bend Gold Property, United States			
Opening balance	$ -	$ 13,394	$ -
Property acquisition costs	-	-	5,732
Claim management and other property maintenance costs	-	1,830	3,825
Geological consulting and services	-	-	5,667
Activity during the period	-	1,830	15,224
	-	15,224	15,224
Write off	-	-	(15,224)
Closing balance	$ -	$ 15,224	$ -
Gold Hill Property, United States			
Opening balance	$ 972,793	$ 135,546	$ -
Property acquisition costs	-	-	109,849
Geological consulting and services	776	9,662	117,018
Assays and analyses	320	-	25,053
Drilling and linecutting	11,441	-	1,144,739
Travel and accommodation	-	1,264	20,988
Road costs	-	-	48,257
Other	-	-	20,130
Recovery of costs	-	-	(500,704)
Activity during the period	12,537	10,926	985,330
Closing balance	$ 985,330	$ 146,472	$ 985,330
Total Mineral Properties in United States	$ 1,828,137	$ 1,412,125	$ 1,828,137
TOTAL	$ 15,895,646	$ 7,450,349	$ 15,895,646

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 Company'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 Company's ability to dispose of its interest on an advantageous basis, all of which are uncertain.

(b) Going concern assumption

These unaudited interim 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 December 31, 2008, the Company reported a loss after tax of $556,170, an accumulated deficit of $7,228,026 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. Basis of Presentation and Accounting Policies

The unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian GAAP. The preparation of the financial statements is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements except as noted below. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended September 30, 2008, since they do not contain all disclosures required by Canadian GAAP for annual financial statements. These unaudited interim consolidated financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

Goodwill and Intangible Assets

Effective October 1, 2008, the Company adopted Section 3064 – Goodwill and Intangible Assets which replaced CICA Handbook sections 3062 and 3450, EIC 27 and part of Accounting Guideline 11. Under previous Canadian standards, more items were recognized as assets than under International Financial Reporting Standards ("IFRS"). The objectives of CICA 3064 are to reinforce the principle based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition and to clarify the application of the concept of matching revenues and expenses such that the current practice of recognizing asset items that do not meet the definition and recognition criteria is eliminated. The portions in the new standard with respect to Goodwill remain unchanged. The provisions relating to the definition and initial recognition of intangible assets intends to reduce the differences with International Financial Reporting Standards in the accounting for intangible assets. The new standard also provides guidance for the recognition of internally developed intangible assets (including research and development activities), ensuring consistent treatment of all intangible assets The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations as at December 31, 2008.

Recent accounting pronouncements

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. While the Company has begun assessing the impact of the adoption of IFRS on its consolidated financial statements, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. Capital Management

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of its 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 team to sustain the future development of the business. The Company considers its capital to be equity, which is comprised of share capital, warrants, contributed surplus, deficit and accumulated other comprehensive loss which at December 31, 2008 totaled $16,786,721 (September 30, 2008 - $14,106,560).

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 its planned exploration programs and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts when economic conditions permit it to do so.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital in current economic conditions by:

(i) minimizing discretionary disbursements;
(ii) focusing financing exploration expenditures on those properties considered to have the best potential; and
(iii) exploring alternative sources of liquidity.

In light of the above, the Company will continue to assess new properties and seek to acquire an interest in additional properties if the Company thinks there is sufficient 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 appropriate.

The Company is not subject to any capital requirements imposed by a regulator or lending institution. The Company expects that its current capital resources will be sufficient to discharge its liabilities as at December 31, 2008.

4. Financial Instruments

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

4. Financial Instruments (continued)

(a) Liquidity risk is the risk that the Company will 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 $2,201,442 (September 30, 2008 - $376,353) to settle current liabilities of $352,787 (September 30, 2008 - $517,300). 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.

The Company is also committed to spending $2,850,929 in Canadian exploration expenditures by December 31, 2009. The Company intends to fulfill all flow-through commitments by seeking additional capital to increase liquidity.

(b) Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity prices. In the normal course of business, the Company is exposed to market risks as a result of its investment in a mineral exploration company. During periods of significant broader market volatility or volatility experienced by the resource/commodity markets, the value of the Company's investment in a mineral exploration company can be vulnerable to market fluctuations. Sensitivity to a plus or minus 100% change in that company's expected share price would affect comprehensive income (loss) by approximately $54,000.

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. 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 Instruments (continued)

(b) (continued) 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. Sensitivity to a plus or minus 1% change in interest rates would affect net loss by approximately $5,000.

(c) 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 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 receivables included in other assets is minimal.

Receivables included in other assets are in good standing as of December 31, 2008.

(d) Fair value

As at December 31, 2008, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

5. Mineral Properties

On a quarterly basis, management of the Company reviews exploration costs to ensure deferred expenditures included only costs and projects that are eligible for capitalization. For a description of the mineral properties, refer to Note 5 of the audited consolidated financial statements as at September 30, 2008. Specific changes to mineral properties that occurred from October 1, 2008 to December 31, 2008 are as follows:

(a) Kerrs Property

Sage executed an amendment and extension to the option agreements (the 'Option Agreement') dated as of 30th of August 2005 between Sage and Jocelyne A. Kidston and L. Michael Dyment as extended by the Extension and Waiver Agreement dated as of 21st of February 2007 and the Amendment Agreement dated as of 10th of November 2008 between Sage, Lucrum Capital Corp. and Jocelyne A. Kidston and L. Michael Dyment.

(Expressed in Canadian Dollars)

5. Mineral Properties (Continued)

(a) Kerrs Property (Continued)

The term of the Option Agreement has been extended until September 6, 2009. The consideration for maintaining the Option Agreement in full force and effect is the issue of 78,125 treasury common shares of Sage (valued at $6,250) to Jocelyne A. Kidston and 78,125 treasury common shares of Sage (valued at $6,250) to L. Michael Dyment, in addition to the issue of $12,500 of the share capital of Sheltered Oak Resources (formerly Lucrum Capital Corp.). Sheltered Oak Resources has a three year option agreement to earn a 55% interest in the Kerrs property for a cash consideration of $200,000 and total property expenditures of $1.8 million. Sage will have a “back-in” option which will allow Sage to maintain ownership control of the Kerrs property.

The 156,250 common shares of Sage (valued at $12,500) were issued subsequent to December 31, 2008.

(b) Hopkins Properties

On February 12, 2008, the Company signed an option agreement with Albert Hopkins Enterprises Ltd. to purchase a 100% interest in the Hopkins Properties located in Ontario. The option agreement includes total cash payments of $250,000. As at December 31, 2008, a total of $250,000 has been paid.

6. Equipment

	Cost	Accumulated Amortization	Net Carrying Amount December 31, 2008
Office equipment	$ 14,947	$ 6,342	$ 8,605
Computer equipment	15,821	7,012	8,809
Vehicles	35,653	7,621	28,032
	$ 66,421	$ 20,975	$ 45,446

	Cost	Accumulated Amortization	Net Carrying Amount September 30, 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

(Expressed in Canadian Dollars)

7. Share Capital

In October 2008, the Company 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.

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.

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.

The fair value of the 13,800,000 warrants and 2,176,000 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	nil
Expected volatility	117%
Risk-free interest rate	2.09% to 2.30%
Expected life	2 years

The issuance of flow-through common shares will create a future income tax recovery of $1,000,500 which will be allocated as a cost of issuing the flow-through shares at the time of renunciation (February 2009).

8. Warrants

The following table shows the continuity of warrants for the three months ended December 31, 2008:

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2008	25,433,570	$ 0.64
Granted	13,800,000	0.20
Balance, December 31, 2008	39,233,570	$ 0.49

(Expressed in Canadian Dollars)

8. Warrants (Continued)

The following are the warrants outstanding at December 31, 2008 with a weighted average exercise price of $0.49 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
	12,800,000	499,200	0.20	October 17, 2010
	1,000,000	39,000	0.20	October 25, 2010
	39,233,570	$ 2,762,750		

(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).

(Expressed in Canadian Dollars)

9. Stock Options

The following table shows the continuity of options for the three months ended December 31, 2008:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2008	15,620,426	$ 0.28
Compensation options granted [1]	2,176,000	0.20
Expired	(115,740)	0.14
Balance, December 31, 2008	17,680,686	$ 0.27

[1] The weighted average grant date fair value of the total compensation options granted was $0.04.

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

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007	Cumulative from inception September 15, 2003
Directors' and management stock-based compensation	$ 24,953	$ 279,583	$ 981,818
Salary costs and benefits	2,712	31,142	113,748
Investor relations and corporate development	6,562	885	38,608
Professional fees	18,963	47,011	387,137
Mineral properties	15,774	141,215	613,295
Stock-based compensation	-	-	366,159
	$ 68,964	$ 499,836	$ 2,500,765

(Expressed in Canadian Dollars)

9. Stock Options (Continued)

The following table shows the options outstanding at December 31, 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 (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
Compensation Options (vi)	2,016,000	78,624	0.20	October 17, 2010
Compensation Options (vi)	160,000	6,240	0.20	October 25, 2010
	17,680,686	$ 2,998,041		

(Expressed in Canadian Dollars)

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(d)(iii) of the audited consolidated financial statements as at September 30, 2008.

(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(c)(v) of the audited consolidated financial statements as at September 30, 2008.

(v) Black-Scholes value for total vested and non-vested options. Of the $2,998,041, $6,807 has not yet vested and will be recorded as an expense or capitalized to mineral properties upon vesting.

(vi) Note 7

10. Related Party Transactions

The Company had the following related party transactions:

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007
Administrative and general expenses:		
Management fees to directors and officers	**$ 54,250**	$ 73,000
Consulting fees to companies owned by officers of the Company	**27,000**	27,000
Directors fees	**11,250**	11,250
Mineral properties:		
Consulting fees to officer	**$ 12,465**	$ 33,750

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	**$ 45,625**	$ 21,548

(Expressed in Canadian Dollars)

11. Loss Per Share

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

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007
Numerator		
Loss for the period	**$ (556,170)**	$ (544,977)
Denominator		
Average number of common shares outstanding	**171,703,339**	130,090,467
Basic and diluted loss per share	**$ (0.00)**	$ (0.00)

The effect of common share purchase options and warrants on the net loss per share for the three months ended December 31, 2008 and 2007 is not reflected as to do so would be anti-dilutive.

12. Supplemental Cash Flow Information

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007
Non-cash financing activities		
Shares issued	**$ -**	$ (133,885)
Agents' compensation for private placement	**84,864**	246,285
Non-cash investing activities		
Additions to mineral properties	**$ (15,774)**	$ (275,100)

(Expressed in Canadian Dollars)

13. Commitment

Subsequent to December 31, 2008, the Company renounced the flow-through offerings that occurred in October 2008. 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) requirements for the look-back rule. The look-back rule requires the Company to incur qualifying exploration expenditures in Canada ("CEE") within 12 months from the effective date of renunciation. As at December 31, 2008, the Company is committed to incurring $2,850,929 in CEE by December 31, 2009 arising from the flow-through offerings.

14. General and Administrative Detail

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007	Cumulative from inception September 15, 2003
Directors' and management stock-based compensation	**$ 24,953**	$ 279,583	$ 981,818
Professional fees	**93,636**	101,519	1,595,598
Investor relations and corporate development	**81,836**	87,810	690,036
Salary costs and benefits	**60,696**	68,599	734,881
Management fees	**54,250**	73,000	908,597
Office supplies	**39,500**	43,899	544,213
Travel and entertainment	**20,852**	45,702	470,603
Advertising and promotion	**1,691**	13,220	294,895
Insurance	**13,404**	12,465	150,172
Transfer agent fees	**7,897**	15,666	148,668
Directors fees	**11,250**	11,250	135,000
Accounting and corporate services	**19,679**	15,192	201,450
Telephone	**5,424**	5,453	80,222
Listing and filing fees	**22,646**	5,338	163,705
Flow-through tax penalty	**103,418**	-	143,782
Bank service charges	**2,275**	2,354	24,188
Foreign exchange loss (gain)	**(2,626)**	673	21,618
Stock-based compensation	**-**	-	767,742
Property holding costs	**-**	-	21,507
Other	**-**	(883)	3,523
	$ 560,781	$ 780,840	$ 8,082,218

15. Segmented Financial Information

The Company has been directly or indirectly engaged 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 interim consolidated statements of mineral properties.

16. Comparative Figures

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

17. Subsequent Event

Subsequent to December 31, 2008, 331,250 common shares were issued relating to the following property payments: (i) 50,000 common shares in accordance with the terms of the Paint Lake Option Agreement; (ii) 75,000 common shares in accordance with the terms of the Missing Link Option Agreement; (iii) 50,000 common shares in accordance with the terms of the King Solomon's Pillars Option Agreement; and (iv) 156,250 common shares in accordance with the terms of the Amendment Agreement dated as of 10th of November 2008 for the Kerrs Property (Note 5(a)).