



# **Sage Gold Inc.**

**(A Development Stage Company)**

**Interim Consolidated Financial Statements  
Three and Nine Months Ended June 30, 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, 2007 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)**

	June 30, 2008	September 30, 2007
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 189,007	\$ 1,864,572
Short-term investments	1,950,904	10,000
Other assets	1,204,182	162,051
	<b>3,344,093</b>	2,036,623
Investment in mineral exploration company	126,000	126,000
Mineral properties	13,594,790	5,624,593
Equipment, net of accumulated amortization (Note 6)	45,770	11,184
	<b>\$ 17,110,653</b>	<b>\$ 7,798,400</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 712,067	\$ 315,698
Future income tax liability (Note 7(a))	2,067,004	-
	<b>2,779,071</b>	315,698
<b>Shareholders' equity</b>		
Share capital	15,600,927	8,773,856
Warrants (Note 8)	1,814,150	1,335,307
Contributed surplus	2,998,110	1,241,578
Deficit	(6,081,605)	(3,868,039)
	<b>14,331,582</b>	7,482,702
	<b>\$ 17,110,653</b>	<b>\$ 7,798,400</b>

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 June 30, 2008	Three Months Ended June 30, 2007	Nine Months Ended June 30, 2008	Nine Months Ended June 30, 2007	Cumulative from inception September 15, 2003
<b>Expenses</b>					
General and administrative (Note 14) \$	756,770	\$ 297,693	\$ 2,532,507	\$ 927,998	\$ 6,994,469
Amortization	3,083	623	5,702	1,428	15,625
Write off of mineral properties	-	-	-	-	143,131
	<b>759,853</b>	298,316	<b>2,538,209</b>	929,426	7,153,225
<b>Other income</b>					
Interest received	25,572	-	121,643	2,060	141,680
<b>Net loss before the following</b>	<b>(734,281)</b>	(298,316)	<b>(2,416,566)</b>	(927,366)	(7,011,545)
Future income tax recovery (Note 7(a))	-	-	203,000	442,492	998,941
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (734,281)</b>	\$ (298,316)	<b>\$ (2,213,566)</b>	\$ (484,874)	\$ (6,012,604)
<b>Loss per common share (Note 11)</b>	<b>\$ (0.01)</b>	\$ (0.00)	<b>\$ (0.02)</b>	\$ (0.01)	



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	Nine Months Ended June 30, 2008	Number of Securities	Year Ended September 30, 2007	Cumulative from inception September 15, 2003
<b>Share capital</b>					
<b>Authorized</b>					
Unlimited number of common shares					
<b>Issued</b>					
Balance at beginning of period	111,182,002	\$ 8,773,856	69,856,244	\$ 5,047,755	\$ (345,068)
Conversion of special warrants	-	-	-	-	2,190,020
Private placements - Flow-through common shares	10,960,000	5,480,000	25,605,425	3,572,660	10,658,285
Private placements - Common shares	5,428,570	760,000	9,286,000	1,039,765	4,886,219
Finder's fees	-	-	300,000	30,000	30,000
Warrants valuation	-	(1,364,955)	-	(911,983)	(2,800,028)
Mineral properties acquisition	1,351,605	333,291	891,973	135,572	737,457
Exercise of warrants	16,981,997	3,229,630	4,233,000	423,300	3,850,592
Exercise of warrants valuation	-	828,890	-	82,177	918,402
Exercise of compensation options	1,305,209	145,345	168,120	16,812	162,557
Exercise of compensation options valuation	-	69,635	-	8,406	78,241
Exercise of broker options	-	-	656,240	49,218	49,218
Exercise of broker options valuation	-	-	-	9,718	9,718
Exercise of stock options	1,545,000	176,900	185,000	18,500	195,400
Exercise of stock options valuation	-	105,089	-	10,091	115,180
Cost of issue - Cash	-	(420,465)	-	(339,579)	(1,532,506)
Cost of issue - Finder's fees	-	-	-	(30,000)	(30,000)
Cost of issue - Compensation options	-	(246,285)	-	(94,556)	(506,815)
Cost of issue - Flow-through renunciation	-	(2,270,004)	-	(294,000)	(3,065,945)
Balance at end of period	148,754,383	\$ 15,600,927	111,182,002	\$ 8,773,856	\$ 15,600,927



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	Nine Months Ended June 30, 2008	Number of Securities	Year Ended September 30, 2007	Cumulative from inception September 15, 2003
<b>Warrants</b>					
Balance at beginning of period	32,772,493	\$ 1,335,307	24,587,829	\$ 515,755	\$ 190,020
Conversion to common shares	-	-	-	-	(190,020)
Warrants granted	11,232,569	1,364,955	12,863,498	911,983	2,800,028
Warrants exercised	(16,981,997)	(828,890)	(4,233,000)	(82,177)	(918,402)
Expired warrants	(1,589,495)	(57,222)	(445,834)	(10,254)	(67,476)
Balance at end of period	25,433,570	\$ 1,814,150	32,772,493	\$ 1,335,307	\$ 1,814,150
<b>Contributed surplus</b>					
Balance at beginning of period		\$ 1,241,578		\$ 1,054,542	\$ -
Compensation options granted		246,285		94,556	497,097
Compensation options exercised		(69,635)		(8,406)	(78,241)
Broker options granted		-		-	9,718
Broker options exercised		-		(9,718)	(9,718)
Stock options exercised		(105,089)		(10,091)	(115,180)
Stock options vested		1,627,749		110,441	2,626,958
Expired warrants		57,222		10,254	67,476
Balance at end of period		\$ 2,998,110		\$ 1,241,578	\$ 2,998,110
<b>Deficit</b>					
Balance at beginning of period		\$ (3,868,039)		\$ (2,941,771)	\$ (69,001)
Net loss for the period		(2,213,566)		(926,268)	(6,012,604)
Balance at end of period		\$ (6,081,605)		\$ (3,868,039)	\$ (6,081,605)
<b>Total Shareholders' equity</b>		<b>\$ 14,331,582</b>		<b>\$ 7,482,702</b>	<b>\$ 14,331,582</b>



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 June 30, 2008	Three Months Ended June 30, 2007	Nine Months Ended June 30, 2008	Nine Months Ended June 30, 2007	Cumulative from inception September 15, 2003
<b>Cash flows provided by (used in)</b>					
<b>Operating activities</b>					
Net loss for the period	\$ (734,281)	\$ (298,316)	\$ (2,213,566)	\$ (484,874)	\$ (6,012,604)
Items not affecting cash:					
Amortization	3,083	623	5,702	1,428	15,625
Future income tax recovery	-	-	(203,000)	(442,492)	(998,941)
Stock-based compensation (Note 9)	309,748	44,719	1,227,332	71,296	2,073,252
Investment in mineral exploration company	-	-	-	-	(126,000)
Write-off of mineral properties	-	-	-	-	143,131
Changes in non-cash working capital balances:					
Change in other assets	(368,669)	(79,168)	(1,073,035)	(28,922)	(1,229,896)
Change in accounts payable and accrued liabilities	(236,932)	18,518	396,369	(88,896)	431,960
	<b>(1,027,051)</b>	<b>(313,624)</b>	<b>(1,860,198)</b>	<b>(972,460)</b>	<b>(5,703,473)</b>
<b>Investing activities</b>					
Redemption (purchase) of short term investments	3,340,000	-	(1,910,000)	502,723	(1,920,000)
Deferred costs	-	-	-	-	(36,657)
Additions to mineral properties	(3,114,826)	(650,012)	(7,236,489)	(1,659,267)	(12,395,102)
Additions to equipment	(16,500)	(6,718)	(40,288)	(6,718)	(63,402)
Proceeds from sale of computer equipment	-	-	-	-	1,100
	<b>208,674</b>	<b>(656,730)</b>	<b>(9,186,777)</b>	<b>(1,163,262)</b>	<b>(14,414,061)</b>

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

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Nine Months Ended June 30, 2008	Nine Months Ended June 30, 2007	Cumulative from inception September 15, 2003
<b>Financing activities</b>					
Issuance of shares, net of costs	<b>689,010</b>	59,000	<b>9,371,410</b>	2,043,685	20,269,765
Shares to be issued	-	627,400	-	627,400	-
	<b>689,010</b>	686,400	<b>9,371,410</b>	2,671,085	20,269,765
<b>Net (decrease) increase in cash and cash equivalents during the period</b>	<b>(129,367)</b>	(283,954)	<b>(1,675,565)</b>	535,363	152,231
<b>Cash and cash equivalents, beginning of the period</b>	<b>318,374</b>	1,030,119	<b>1,864,572</b>	210,802	36,776
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 189,007</b>	\$ 746,165	<b>\$ 189,007</b>	\$ 746,165	\$ 189,007

Supplemental Cash Flow Information (Note 12)

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

	Three Months Ended June 30, 2008	Restated (Note 16) Three Months Ended June 30, 2007	Nine Months Ended June 30, 2008	Restated (Note 16) Nine Months Ended June 30, 2007	Cumulative from inception of project
<b>Kerrs Property, Canada</b>					
Opening balance	\$ 1,495,289	\$ 1,454,141	\$ 1,479,543	\$ 1,566,990	\$ -
Property acquisition costs	-	-	-	5,218	224,330
Claim management and other property maintenance costs	-	4,465	557	7,387	66,279
Geological consulting and services	4,321	-	28,720	32,981	233,857
Geochemistry	-	-	-	-	34,553
Geophysics	1,555	-	1,555	-	30,408
Consulting	-	3,750	-	3,750	66,094
Assays and analyses	-	-	-	-	52,356
Travel and accommodation	2,404	-	2,404	2,354	81,782
Drilling	4,310	-	4,310	350	875,079
Equipment	-	-	-	-	2,634
Miscellaneous	1,430	-	7,220	-	12,777
Earn-in	-	834	(15,000)	(155,840)	(170,840)
Management fees	(30,863)	-	(30,863)	-	(30,863)
Activity during the period	(16,843)	9,049	(1,097)	(103,800)	1,478,446
Closing balance	\$ 1,478,446	\$ 1,463,190	\$ 1,478,446	\$ 1,463,190	\$ 1,478,446
<b>Malartic Property, Canada</b>					
Opening balance	\$ 27,511	\$ 13,545	\$ 12,711	\$ 34,481	\$ -
Property acquisition costs	-	-	-	-	1,778
Claim management and taxes	-	-	14,800	1,265	20,129
Geological consulting and services	-	-	-	7,125	26,183
Geophysics	-	-	-	-	9,581
Earn-in	-	(834)	-	(30,160)	(30,160)
Activity during the period	-	(834)	14,800	(21,770)	27,511
Closing balance	\$ 27,511	\$ 12,711	\$ 27,511	\$ 12,711	\$ 27,511

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

	Three Months Ended June 30, 2008	Restated (Note 16) Three Months Ended June 30, 2007	Nine Months Ended June 30, 2008	Restated (Note 16) Nine Months Ended June 30, 2007	Cumulative from inception of project
<b>Onaman Property, Canada</b>					
Opening balance	\$ 3,678,906	\$ 1,287,460	\$ 1,476,762	\$ 606,327	\$ -
Property acquisition costs	75,395	31,735	495,133	31,735	591,456
Claim management and taxes	589	-	2,164	887	3,968
Geological consulting and services	278,539	37,876	554,658	199,342	1,093,048
Trenching and stripping	126,273	-	404,105	-	404,105
Site preparation	4,042	-	5,525	-	5,525
Geophysics	271,322	14,206	468,244	44,057	563,308
Consulting	63,770	7,537	88,457	24,973	102,607
Assays and analyses	112,299	2,206	226,017	46,101	307,138
Travel and accommodation	75,884	259	155,987	36,404	257,047
Drilling and linecutting	1,335,755	-	2,043,659	348,862	2,416,819
Equipment rental	28,138	495	56,680	17,625	100,378
Field expenses	29,711	-	52,832	-	61,240
Advance	-	-	20,584	-	75,442
Other	34,657	9,792	64,473	35,253	133,199
Activity during the period	2,436,374	104,106	4,638,518	785,239	6,115,280
Closing balance	\$ 6,115,280	\$ 1,391,566	\$ 6,115,280	\$ 1,391,566	\$ 6,115,280
<b>Jacobus Property, Canada</b>					
Opening balance	\$ 2,860,962	\$ 405,643	\$ 1,521,186	\$ 103,648	\$ -
Property acquisition costs	-	25,000	25,000	41,863	116,887
Claim management and taxes	117	-	730	-	1,173
Assays and analysis	31,464	31,618	93,875	58,726	151,388
Geological consulting and services	115,201	37,085	354,856	118,280	613,028
Trenching and stripping	30,533	-	84,569	-	84,569
Site preparation	-	-	-	-	146,254
Geophysics	28,742	45,500	167,021	62,833	353,849
Travel and accommodation	2,210	15,158	23,749	25,519	68,150
Drilling and linecutting	36,558	264,109	742,270	408,406	1,373,528
Equipment rental	6,508	3,961	17,338	5,052	39,472
Field expenses	7,216	30,600	42,014	30,600	93,309
Advance	-	-	-	-	16,800
Other	1,373	6,499	48,276	10,246	62,477
Activity during the period	259,922	459,530	1,599,698	761,525	3,120,884
Closing balance	\$ 3,120,884	\$ 865,173	\$ 3,120,884	\$ 865,173	\$ 3,120,884



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 June 30, 2008	Restated (Note 16) Three Months Ended June 30, 2007	Nine Months Ended June 30, 2008	Restated (Note 16) Nine Months Ended June 30, 2007	Cumulative from inception of project
<b>Nicole Property, Canada</b>					
Opening balance	\$ 63,658	\$ 44,906	\$ 63,658	\$ -	\$ -
Property acquisition costs	-	-	-	5,000	5,000
Geological consulting and services	-	18,752	-	58,658	58,658
Activity during the period	-	18,752	-	63,658	63,658
Closing balance	\$ 63,658	\$ 63,658	\$ 63,658	\$ 63,658	\$ 63,658
<b>Hopkins Properties, Canada</b>					
Opening balance	\$ 164,716	\$ -	\$ -	\$ -	\$ -
Property acquisition costs	13,238	-	176,923	-	176,923
Claim management and taxes	577	-	1,608	-	1,608
Activity during the period	13,815	-	178,531	-	178,531
Closing balance	\$ 178,531	\$ -	\$ 178,531	\$ -	\$ 178,531
<b>Beardmore/Geraldton Properties, Canada</b>					
Opening balance	\$ 220,767	\$ -	\$ -	\$ -	\$ -
Property acquisition costs	20,000	-	239,502	-	239,502
Claim management and taxes	-	-	1,265	-	1,265
Assays and analysis	-	-	-	-	-
Geological consulting and services	34,825	-	34,825	-	34,825
Trenching and stripping	41,400	-	41,400	-	41,400
Geophysics	82,569	-	82,569	-	82,569
Travel and accommodation	8,522	-	8,522	-	8,522
Drilling and linecutting	15,634	-	15,634	-	15,634
Equipment rental	900	-	900	-	900
Field expenses	1,883	-	1,883	-	1,883
Other	-	-	-	-	-
Activity during the period	205,733	-	426,500	-	426,500
Closing balance	\$ 426,500	\$ -	\$ 426,500	\$ -	\$ 426,500
<b>Total Mineral Properties in Canada</b>	<b>\$ 11,410,810</b>	<b>\$ 3,796,298</b>	<b>\$ 11,410,810</b>	<b>\$ 3,796,298</b>	<b>\$ 11,410,810</b>



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**Sage Gold Inc.**  
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**Interim Consolidated Statements of Mineral Properties**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

	Three Months Ended June 30, 2008	Restated (Note 16) Three Months Ended June 30, 2007	Nine Months Ended June 30, 2008	Restated (Note 16) Nine Months Ended June 30, 2007	Cumulative from inception of project
<b>Triple Junction and Dixie Fork Properties, United States</b>					
Opening balance	\$ 168,365	\$ 84,572	\$ 101,326	\$ 84,572	\$ -
Property acquisition costs	-	-	67,039	-	67,672
Claim management and taxes	-	-	-	-	9,994
Claims staking	-	-	-	-	10,710
Geophysics	-	-	-	-	21,042
Consulting	-	-	-	-	31,840
Travel and accommodation	-	-	-	-	19,581
Miscellaneous	-	-	-	-	7,526
Activity during the period	-	-	67,039	-	168,365
Closing balance	\$ 168,365	\$ 84,572	\$ 168,365	\$ 84,572	\$ 168,365
<b>Pony Spur, Dike, Corridors and Sugarloaf Properties, United States</b>					
Opening balance	\$ 1,128,405	\$ 774,332	\$ 820,467	\$ 722,012	\$ -
Property acquisition costs	-	-	106,633	67,572	494,149
Advances	-	-	-	-	3,488
Geological consulting and services	8,524	-	33,744	1,250	51,332
Geochemistry	-	-	-	-	31,437
Geophysics	-	-	73,378	-	238,789
Consulting	-	1,875	-	3,163	198,838
Travel and accommodation	-	-	6,420	-	29,590
Renewal fees and bond reclamation	-	159	-	8,676	68,680
Assays and analysis	-	-	13,338	(3,059)	13,338
Field expenses	485	-	12,482	-	13,240
Drilling	-	-	54,077	-	54,077
Road repairs	-	-	6,415	-	15,042
Miscellaneous	2,273	-	12,733	5,750	20,440
Recovery of costs	-	-	-	(28,998)	(31,059)
Impairment charge - Sugarloaf	-	-	-	-	(61,694)
Activity during the period	11,282	2,034	319,220	54,354	1,139,687
Closing balance	\$ 1,139,687	\$ 776,366	\$ 1,139,687	\$ 776,366	\$ 1,139,687

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

	Three Months Ended June 30, 2008	Restated (Note 16) Three Months Ended June 30, 2007	Nine Months Ended June 30, 2008	Restated (Note 16) Nine Months Ended June 30, 2007	Cumulative from inception of project
<b>Big Bend Gold Property, United States</b>					
Opening balance	\$ 15,224	\$ 13,344	\$ 13,394	\$ 10,544	\$ -
Property acquisition costs	-	-	-	-	5,732
Renewal fees	-	50	1,830	2,850	3,825
Geological consulting and services	-	-	-	-	5,667
Activity during the period	-	50	1,830	2,850	15,224
Closing balance	\$ 15,224	\$ 13,394	\$ 15,224	\$ 13,394	\$ 15,224
<b>Gold Hill Property, United States</b>					
Opening balance	\$ 560,595	\$ 56,328	\$ 135,546	\$ -	\$ -
Property acquisition costs	-	6,409	50,940	58,909	109,849
Geological consulting and services	2,807	14,131	74,146	17,381	98,445
Assays and analysis	11,468	-	32,040	-	32,040
Drilling	578,987	-	950,753	-	950,753
Travel and accommodation	5,733	-	20,700	-	20,700
Road costs	-	48,257	-	48,257	48,257
Advance	-	-	45,932	-	49,432
Miscellaneous	1,114	-	2,740	578	3,321
Recovery of costs	(300,000)	-	(452,093)	-	(452,093)
Activity during the period	300,109	68,797	725,158	125,125	860,704
Closing balance	\$ 860,704	\$ 125,125	\$ 860,704	\$ 125,125	\$ 860,704
<b>Total Mineral Properties in United States</b>					
	\$ 2,183,980	\$ 999,457	\$ 2,183,980	\$ 999,457	\$ 2,183,980
<b>TOTAL</b>	<b>\$ 13,594,790</b>	<b>\$ 4,795,755</b>	<b>\$ 13,594,790</b>	<b>\$ 4,795,755</b>	<b>\$ 13,594,790</b>

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**Sage Gold Inc.**  
**(A Development Stage Company)**  
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**1. Nature of Operations and Going Concern**

(a) Incorporation, Name Change and Stock Consolidation

Sage Gold Inc. ("Sage" or the "Company") is a public corporation. Since its inception, the business of the Company has consisted of the acquisition, exploration and development of mineral properties. The Company was formed on October 1, 1997 pursuant to the Business Corporations Act (Ontario) by way of Articles of Amalgamation upon the amalgamation of Sahelian Goldfields Ltd. and Sahelian Goldfields Inc. The Company consolidated its shares on a 1:25 basis on March 3, 2005 and changed its name to Sage Gold Inc.

(b) Going concern assumption

These 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 unaudited interim 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.

The Company is in the development stage and is subject to the risks and challenges similar to other companies in a comparable stage of development. These risks include, but are not limited to, dependence on key individuals, successful development and the ability to secure adequate financing to meet the minimum capital required to successfully complete the project and continue as a going concern. There is no assurance that these initiatives will be successful and as a result there is substantial doubt regarding the going concern assumption.

**2. Basis of Presentation and Accounting Policies**

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian GAAP for interim financial information. Accordingly, they do not include all of the information and notes to the consolidated financial statements required by Canadian generally accepted accounting principles for annual consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three and nine months ended June 30, 2008 may not necessarily be indicative of the results that may be expected for the year ending September 30, 2008.

The consolidated balance sheet as at September 30, 2007 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by Canadian GAAP for annual consolidated financial statements. The unaudited interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual audited consolidated financial statements for the year ended September 30, 2007, except as noted below. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended September 30, 2007.

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**2. Basis of Presentation and Accounting Policies (Continued)**

**Capital Disclosures and Financial Instruments – Disclosures and Presentation**

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

**Capital Disclosures**

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in Note 3 to these interim consolidated financial statements.

**Financial Instruments**

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in Note 4 to these interim consolidated financial statements.

**Future Accounting Pronouncements**

**International Financial Reporting Standards (“IFRS”)**

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. 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 2011 filing, comparative financial statements in accordance with IFRS for the three months ended March 31, 2010.

**Goodwill and Intangible Assets**

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

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

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**3. Capital Management**

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

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

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

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

**4. Financial Risk Factors**

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

**Credit risk**

The Company's credit risk is primarily attributable to cash and cash equivalents, short-term 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 reputable financial institutions, from which management believes the risk of loss to be remote. Financial instruments included in other assets consist of goods and services tax due from the Federal Government of Canada and receivables from unrelated companies. Management believes that the credit risk concentration with respect to financial instruments included in other assets is remote.

**Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2008, the Company had cash and cash equivalents and short term investments of \$2,139,911 (September 30, 2007 - \$1,874,572) to settle current liabilities of \$712,067 (September 30, 2007 - \$315,698). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company is also committed to spending approximately \$1,700,000 in flow-through expenditures by December 31, 2008. If the Company does not spend these funds in compliance with the government of Canada flow-through regulations, it may be subject to litigation from various counterparties. The Company intends to fulfill all flow-through commitments within the given time constraints.

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**4. Financial Risk Factors (Continued)**

**Market risk**

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

(a) Interest rate risk

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

(b) Foreign currency risk

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

(c) Price risk

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

**Sensitivity analysis**

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

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

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**4. Financial Risk Factors (Continued)**

**Sensitivity analysis (Continued)**

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

Short-term investments include deposits at call which are at variable rates. Sensitivity to a plus or minus 1% change in rates would affect net loss by \$14,600.

The Company has an investment in a private company. Sensitivity to a plus or minus 50% change in the company's expected share price would affect comprehensive income (loss) by \$63,000.

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

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

**5. Mineral Properties**

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 3 of the audited consolidated financial statements as at September 30, 2007. Specific changes to mineral properties that occurred from October 1, 2007 to June 30, 2008 are as follows:

**(a) Onaman Property**

In March 2008, the Company issued 199,608 common shares valued at \$50,940 (US\$50,000) to the vendor as per the option agreement.

**(b) Hopkins Properties**

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

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**5. Mineral Properties (Continued)**

**(c) Beardmore/Geraldton Properties**

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

- i) Paint Lake Option Agreement: The property consists of leases encompassing 9 mining claims located in the Townships of Irwin and Walters, Ontario. The consideration for earning a 100% ownership interest in the property includes the issuance of a total of 200,000 treasury common shares of Sage (100,000 shares issued and valued at \$41,000) plus total cash payments of \$75,000 (\$25,000 paid). The cash and share disbursements are distributed over a three year period.
- ii) King Solomon's Pillars Option Agreement: The property consists of leases encompassing 18 mining claims located in the Township of Walters, Ontario. The consideration for earning a 100% ownership interest in the property includes the issuance of a total of 180,000 treasury common shares of Sage (80,000 shares issued and valued at \$32,800) and total cash payments of \$60,000 (\$10,000 paid). The cash and share disbursements are distributed over a three year period.
- iii) Missing Link Option Agreement: The property consists of 12 mining claims located in the Townships of Lapierre and Legault, Ontario. The consideration for earning into a 100% ownership interest in the property includes the issuance of a total of 250,000 treasury common shares of Sage (100,000 shares issued and valued at \$41,000) plus total cash payments of \$78,200 (\$25,000 paid). The cash and share disbursements are distributed over a three year period.
- iv) 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. The option agreement defines that Sage can earn into a 100% ownership interest in the property by making a total of \$85,000 in cash payments (\$40,000 paid) and issuing \$65,000 of share consideration over the first four years of the agreement (40,040 shares issued and valued at \$16,416) and by making a final payment of \$75,000 in a mixture of cash and shares in the fifth year.

**(d) Triple Junction and Dixie Fork Properties**

On October 26, 2007, the Company announced that it had executed an extension to the Option Agreement with Atna Resources Ltd. and Atna Resources Inc. Under the terms of the Option Agreement, Sage can earn up to a 70% undivided interest in the Property upon the achievement of certain predetermined drilling and feasibility milestones. The term of the Option Agreement has been extended until November 30, 2009. In consideration for the extension of the Option Agreement, Sage issued 350,000 common shares for a total value of \$66,500 to Atna Resources Ltd.

**(e) Pony Spur, Dike, Corridors and Sugarloaf Properties**

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

**(f) Gold Hill Property**

In March 2008, the Company issued 50,000 common shares valued at \$17,250 to the vendors as per the option agreement. Sage has exercised an option to acquire a 50% interest in the property, having spent U.S. \$250,000 in exploration expenditures as required under the option agreement. Subsequent expenditures are being shared equally between the Company and the property vendor.

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**6. Equipment**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Amount June 30, 2008</b>
Office equipment	\$ 10,335	\$ 5,122	\$ 5,213
Computer equipment	13,413	5,356	8,057
Vehicle	35,653	3,153	32,500
	<b>\$ 59,401</b>	<b>\$ 13,631</b>	<b>\$ 45,770</b>

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Amount September 30, 2007</b>
Office equipment	\$ 10,335	\$ 4,201	\$ 6,134
Computer equipment	8,776	3,726	5,050
	<b>\$ 19,111</b>	<b>\$ 7,927</b>	<b>\$ 11,184</b>

**7. Share Capital**

(a) Flow-Through Private Placements

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

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

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

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

The issuance of flow-through common shares in fiscal year 2007 and on November 16, 2007 created a future income tax liability and a future income tax recovery of approximately \$2,067,004 and \$203,000 respectively which was allocated as a cost of issuing the flow-through shares for a total amount of \$2,270,004 at the time of renunciation.

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**7. Share Capital (Continued)**

(b) Non Flow-Through Private Placements

On October 15, 2007, the Company closed a non-brokered private placement financing of 5,428,570 units at \$0.14 per unit for total proceeds of approximately \$760,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.19 in year 1 and \$0.25 in year 2. If the closing price of the Company's common shares on the TSX Venture Exchange, or such other stock exchange where the majority of the trading volume occurs, is \$0.28 or higher for a period of a minimum of 21 days, the Company may notify the warrant holders that all unexercised warrants will expire on the 30th day after the date of such notice being given by the Company.

A finders' fee of \$45,600 in cash together with 434,286 compensation options, on the same terms as the subscribers' units, was paid. All securities were subject to a four month hold period which expired on February 16, 2008.

The fair value of the 5,428,570 warrants and 434,286 compensation options was estimated at \$289,886 and \$67,749 respectively using the Black-Scholes option pricing formula with the following assumptions: expected dividend yield - 0%, expected volatility - 108.9%, risk-free interest rate - 4.36% and an expected average life of 2 years.

**8. Warrants**

The following table shows the continuity of warrants for the period ended June 30, 2008:

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2007	32,772,493	\$ 0.45
Granted	10,908,569	0.47
Granted <sup>(1)</sup>	324,000	0.20
Exercised	(16,981,997)	0.19
Expired	(1,589,495)	0.20
Balance, June 30, 2008	25,433,570	\$ 0.64

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

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**8. Warrants (Continued)**

The following are the warrants outstanding at June 30, 2008:

	<b>Number of Warrants</b>	<b>Amount</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
(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	289,886	0.19	October 12, 2009
	5,480,000	1,002,840	0.75	November 14, 2009
	<b>25,433,570</b>	<b>\$ 1,814,150</b>		

(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).

**9. Stock Options**

The following table shows the continuity of options for the period ended June 30, 2008:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
Balance, September 30, 2007	10,256,429	\$ 0.14
Granted	7,140,000	0.37
Compensation options granted	1,264,686	0.38
Compensation options exercised	(1,305,209)	0.11
Exercised	(1,545,000)	0.11
Expired/Cancelled	(79,880)	0.10
<b>Balance, June 30, 2008</b>	<b>15,731,026</b>	<b>\$ 0.28</b>

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**9. Stock Options (Continued)**

During the period ended June 30, 2008, 7,140,000 stock options were granted to members of management, board of directors, employees and consultants of the Company. The following weighted average assumptions were used under the Black-Scholes option-pricing model:

Expected dividend yield	0%
Expected volatility	100%
Risk-free interest rate	3.10%-4.41%
Expected life	5 years

The total stock-based compensation calculated under the fair value method was \$1,870,045. The weighted average fair value of options granted was \$0.26.

The fair value of the stock options, including fair value of stock options granted in previous years, has been allocated as follows:

	<b>Three Months Ended June 30, 2008</b>	<b>Three Months Ended June 30, 2007</b>	<b>Nine Months Ended June 30, 2008</b>	<b>Nine Months Ended June 30, 2007</b>
Directors' and management stock-based compensation	\$ 184,466	\$ 25,879	\$ 816,222	\$ 36,148
Salary costs and benefits	20,714	5,973	90,386	8,343
Investor relations and corporate development	10,954	3,281	12,152	4,582
Professional fees	93,614	5,573	308,572	7,785
Mineral properties	95,566	5,970	400,417	8,341
Stock-based compensation	-	4,013	-	14,438
	<b>\$ 405,314</b>	<b>\$ 50,689</b>	<b>\$ 1,627,749</b>	<b>\$ 79,637</b>

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**9. Stock Options (Continued)**

The following table shows the options outstanding at June 30, 2008:

	<b>Number of Options</b>	<b>Amount (v)</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
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
<b>Subtotal</b>	<b>13,590,000</b>	<b>2,614,792</b>		
Compensation Options	110,600	9,069	0.12	July 11, 2008
Compensation Options	115,740	7,407	0.14	November 22, 2008
Compensation Options (i)	500,000	41,000	0.16	March 1, 2009
Compensation Options (ii)	150,000	11,100	0.16	March 19, 2009
Compensation Options (iii)	434,286	67,749	0.14	October 12, 2009
Compensation Options (iv)	830,400	178,536	0.50	November 14, 2009
	<b>15,731,026</b>	<b>\$ 2,929,653</b>		

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**9. Stock Options (Continued)**

- (i) Upon exercise of the 500,000 compensation options, 500,000 common shares and 250,000 warrants will be issued. The warrants have the same terms as disclosed in Note 5(c)(v) of the audited consolidated financial statements as at September 30, 2007.
- (ii) Upon exercise of the 150,000 compensation options, 150,000 common shares and 75,000 warrants will be issued. The warrants have the same terms as disclosed in Note 5(c)(vi) of the audited consolidated financial statements as at September 30, 2007.
- (iii) Upon exercise of the 434,286 compensation options, 434,286 common shares and 434,286 warrants will be issued. The warrants have the same terms as disclosed in Note 7(b).
- (iv) Upon exercise of the 830,400 compensation options, 830,400 common shares and 415,200 warrants will be issued. The warrants have the same terms as disclosed in Note 7(a).
- (v) Black-Scholes value for total vested and non-vested options. Of the \$2,614,792, \$289,582 has not yet vested and will be recorded as an expense or capitalized to mineral properties upon vesting.

**10. Related Party Transactions**

The Company had the following related party transactions:

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Nine Months Ended June 30, 2008	Nine Months Ended June 30, 2007
Administrative and general expenses:				
Management fees to directors and officers	\$ 47,575	\$ 48,000	\$ 161,475	\$ 144,000
Consulting fees to companies owned by officers of the Company	23,325	27,000	69,975	78,500
Directors fees	11,250	11,250	33,750	33,750
Mineral properties:				
Consulting fees to officer	\$ 21,600	\$ 19,250	\$ 98,550	\$ 64,250

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	\$ 43,917	\$ 36,373	\$ 43,917	\$ 36,373
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**11. Loss Per Share**

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

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Nine Months Ended June 30, 2008	Nine Months Ended June 30, 2007
Numerator				
Loss for the period	\$ (734,281)	\$ (298,316)	\$ (2,213,566)	\$ (484,874)
Denominator				
Weighted average number of common shares outstanding	147,891,566	88,731,918	140,548,325	80,644,224
Basic and diluted loss per share	\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.01)

The effect of common share purchase options and warrants on the net loss per share for the three and nine months ended June 30, 2008 and 2007 is not reflected as to do so would be anti-dilutive.

**12. Supplemental Cash Flow Information**

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Nine Months Ended June 30, 2008	Nine Months Ended June 30, 2007
Non-cash financing activities				
Shares issued	\$ -	\$ (5,500)	\$ (333,291)	\$ (415,297)
Compensation options for private placements	-	-	246,285	29,680
Non-cash investing activities				
Additions to mineral properties	\$ (95,566)	\$ (11,470)	\$ (733,708)	\$ (426,767)

**13. Commitment**

Subsequent to December 31, 2007, the Company renounced the eligible expenditures as required by the flow-through offerings that occurred on September 1, 2007, September 19, 2007 and November 16, 2007. 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 June 30, 2008, the Company is committed to incurring approximately \$1,700,000 in CEE by December 31, 2008 arising from the flow-through offerings.

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**(Unaudited)**  
**Three and Nine Months Ended June 30, 2008**

**14. General and Administrative**

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Nine Months Ended June 30, 2008	Nine Months Ended June 30, 2007	Cumulative from inception September 15, 2003
Directors' and management stock-based compensation	\$ 184,466	\$ 25,879	\$ 816,222	\$ 36,148	\$ 865,924
Professional fees	163,064	38,290	490,487	151,164	1,401,660
Investor relations and corporate development	82,266	26,910	281,597	90,352	514,343
Salary costs and benefits	84,530	44,632	221,125	121,198	615,367
Management fees	47,575	47,999	161,475	143,999	807,710
Travel and entertainment	52,495	19,165	132,513	61,660	430,825
Office supplies	62,599	27,129	134,326	84,261	477,314
Transfer agent fees	8,241	3,773	49,386	23,032	135,148
Advertising and promotion	20,714	13,616	56,297	48,796	260,744
Flow-through tax penalty	-	-	20,870	19,494	40,364
Insurance	18,166	9,301	45,038	21,359	123,134
Listing and filing fees	-	6,897	19,303	21,117	133,535
Accounting and corporate services	7,939	9,371	35,958	38,831	173,681
Directors fees	11,250	11,250	33,750	33,750	112,500
Telephone	7,823	3,541	20,104	10,115	66,470
Bank service charges	4,362	982	10,099	2,407	19,209
Foreign exchange loss	1,280	4,945	4,840	5,877	23,769
Stock-based compensation	-	4,013	-	14,438	767,742
Finance charges	-	-	-	-	2,000
Loss on sale of computer equipment	-	-	-	-	908
Property holding costs	-	-	-	-	21,507
Government fees and taxes	-	-	(883)	-	615
	<b>\$ 756,770</b>	<b>\$ 297,693</b>	<b>\$ 2,532,507</b>	<b>\$ 927,998</b>	<b>\$ 6,994,469</b>

**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.

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**Three and Nine Months Ended June 30, 2008**

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**16. Restatements**

As described in Note 2 of the audited consolidated financial statements as at September 30, 2007, the Company's accounting policy is to capitalize all costs related to the exploration and development of mineral properties. In 2007, the Company restated comparative figures as described below which reflect stock-based compensation costs that should have been capitalized to mineral properties but were previously expensed as general and administrative costs.

The restatements resulted in the following changes to the interim consolidated financial statements.

	<b>As previously stated June 30, 2007</b>	<b>Increase</b>	<b>Restated June 30, 2007</b>
Mineral properties	\$ 4,660,291	\$ 135,464	\$ 4,795,755

**17. Comparative Figures**

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