



## **Sage Gold Inc.**

**(A Development Stage Company)**

**Interim Consolidated Financial Statements  
Three and Nine Months Ended June 30, 2009**

**(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)**

	June 30, 2009	September 30, 2008
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 91,480	\$ 356,186
Short-term investments	370,000	20,167
Other assets	417,737	501,617
Deferred transaction costs (Note 17(ii))	162,998	-
	<b>1,042,215</b>	<b>877,970</b>
Investment in mineral exploration company	60,526	100,877
Mineral properties (Note 5)	16,063,108	15,197,127
Equipment, net of accumulated amortization (Note 6)	36,905	48,886
	<b>\$ 17,202,754</b>	<b>\$ 16,224,860</b>

**Liabilities and Shareholders' Equity**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 515,018	\$ 517,300
Future income tax liability	2,601,500	1,601,000
	<b>3,116,518</b>	<b>2,118,300</b>
<b>Shareholders' equity</b>		
Share capital	17,003,973	15,376,872
Warrants (Note 8)	2,699,862	2,224,550
Contributed surplus	3,430,137	3,202,117
Deficit	(8,982,262)	(6,671,856)
Accumulated other comprehensive loss	(65,474)	(25,123)
	<b>14,086,236</b>	<b>14,106,560</b>
	<b>\$ 17,202,754</b>	<b>\$ 16,224,860</b>

Going concern (Note 1(b))  
Commitment (Note 13)  
Subsequent events (Note 17)



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,		Nine Months Ended June 30,		Cumulative from inception September 15,
	2009	2008	2009	2008	2003
<b>Expenses</b>					
General and administrative (Note 14)\$	<b>380,796</b>	\$ 756,770	<b>\$ 1,390,815</b>	\$ 2,532,507	\$ 8,912,252
Amortization	<b>3,440</b>	3,083	<b>10,320</b>	5,702	29,851
Write-off of mineral properties	<b>843,047</b>	-	<b>919,216</b>	-	1,589,563
	<b>1,227,283</b>	759,853	<b>2,320,351</b>	2,538,209	10,531,666
<b>Other income</b>					
Interest received	-	25,572	<b>9,945</b>	121,643	151,464
<b>Net loss before the following</b>	<b>(1,227,283)</b>	(734,281)	<b>(2,310,406)</b>	(2,416,566)	(10,380,202)
Future income tax recovery	-	-	-	203,000	1,466,941
<b>Net loss for the period</b>	<b>(1,227,283)</b>	(734,281)	<b>(2,310,406)</b>	(2,213,566)	(8,913,261)
Other comprehensive loss	<b>(13,451)</b>	-	<b>(40,351)</b>	-	(65,474)
<b>Net loss and comprehensive loss for the period</b>	<b>\$(1,240,734)</b>	\$ (734,281)	<b>\$(2,350,757)</b>	\$(2,213,566)	\$ (8,978,735)
<b>Loss per common share (Note 11)</b>	<b>\$ (0.01)</b>	\$ (0.01)	<b>\$ (0.01)</b>	\$ (0.02)	



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, 2009	Number of Securities	Year Ended September 30, 2008	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	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	470,138	36,222	1,351,605	333,291	773,679
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	-	(1,000,500)	-	(2,106,000)	(3,902,441)
<b>Balance at end of period</b>	<b>176,935,121</b>	<b>\$ 17,003,973</b>	<b>148,864,983</b>	<b>\$ 15,376,872</b>	<b>\$ 17,003,973</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 Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

(Unaudited)

	Number of Securities	Nine Months Ended June 30, 2009	Number of Securities	Year Ended September 30, 2008	Cumulative from inception September 15, 2003
<b>Warrants</b>					
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	(9,087,500)	(62,888)	(1,589,495)	(57,222)	(130,364)
Balance at end of period	30,146,070	\$ 2,699,862	25,433,570	\$ 2,224,550	\$ 2,699,862
<b>Contributed surplus</b>					
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		80,268		1,840,825	2,920,302
Expired warrants		62,888		57,222	130,364
Balance at end of period		\$ 3,430,137		\$ 3,202,117	\$ 3,430,137



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)**

	Nine Months Ended June 30, 2009	Year Ended September 30, 2008	Cumulative from inception September 15, 2003
<b>Deficit</b>			
Balance at beginning of period	\$ (6,671,856)	\$ (3,868,039)	\$ (69,001)
Net loss for the period	(2,310,406)	(2,803,817)	(8,913,261)
Balance at end of period	\$ (8,982,262)	\$ (6,671,856)	\$ (8,982,262)
<b>Accumulated other comprehensive loss</b>			
Balance at beginning of period	\$ (25,123)	\$ -	\$ -
Other comprehensive loss	(40,351)	(25,123)	(65,474)
Balance at end of period	\$ (65,474)	\$ (25,123)	\$ (65,474)
<b>Total Shareholders' equity</b>	<b>\$ 14,086,236</b>	<b>\$ 14,106,560</b>	<b>\$ 14,086,236</b>

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

	Three Months Ended June 30,		Nine Months Ended June 30,		Cumulative from inception September 15,
	2009	2008	2009	2008	2003
<b>Deficit</b>					
Balance at beginning of period	\$ (7,754,979)	\$ (5,347,324)	\$ (6,671,856)	\$ (3,868,039)	\$ (69,001)
Net loss for the period	(1,227,283)	(734,281)	(2,310,406)	(2,213,566)	(8,913,261)
Balance at end of period	\$ (8,982,262)	\$ (6,081,605)	\$ (8,982,262)	\$ (6,081,605)	\$ (8,982,262)

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

	Three Months Ended June 30,		Nine Months Ended June 30,		Cumulative from inception September 15,
	2009	2008	2009	2008	2003
<b>Cash flows provided by (used in)</b>					
<b>Operating activities</b>					
Net loss	\$ (1,227,283)	\$ (734,281)	\$ (2,310,406)	\$ (2,213,566)	\$ (8,913,261)
Items not affecting cash:					
Amortization	3,440	3,083	10,320	5,702	29,851
Future income tax recovery	-	-	-	(203,000)	(1,466,941)
Stock-based compensation	4,492	309,748	61,575	1,227,332	2,297,437
Investment in mineral exploration company	-	-	-	-	(126,000)
Write-off of mineral properties	843,047	-	919,216	-	1,413,859
Changes in non-cash working capital balances:					
Change in other assets	21,841	(368,669)	84,047	(1,073,035)	(412,547)
Change in accounts payable and accrued liabilities	244,650	(236,932)	(2,282)	396,369	(57,019)
	<b>(109,813)</b>	<b>(1,027,051)</b>	<b>(1,237,530)</b>	<b>(1,860,198)</b>	<b>(7,234,621)</b>
<b>Investing activities</b>					
Redemption (purchase) of short term investments	700,000	3,340,000	(350,000)	(1,910,000)	(370,000)
Deferred costs	(162,998)	-	(162,998)	-	(199,655)
Additions to mineral properties	(426,233)	(3,114,826)	(1,730,282)	(7,236,489)	(15,570,837)
Additions to equipment	-	(16,500)	-	(40,288)	(70,424)
Proceeds from disposition	-	-	1,661	-	2,761
	<b>110,769</b>	<b>208,674</b>	<b>(2,241,619)</b>	<b>(9,186,777)</b>	<b>(16,208,155)</b>
<b>Financing activities</b>					
Issuance of shares, net of costs	-	689,010	3,214,443	9,371,410	23,497,480
<b>Net change in cash and cash equivalents during the period</b>	<b>956</b>	<b>(129,367)</b>	<b>(264,706)</b>	<b>(1,675,565)</b>	<b>54,704</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>90,524</b>	<b>318,374</b>	<b>356,186</b>	<b>1,864,572</b>	<b>36,776</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 91,480</b>	<b>\$ 189,007</b>	<b>\$ 91,480</b>	<b>\$ 189,007</b>	<b>\$ 91,480</b>

Supplemental Cash Flow Information (Note 12)



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,		Nine Months Ended June 30,		Cumulative from inception September 15,
	2009	2008	2009	2008	2003
<b>Kerrs Property, Canada (Note 5(a))</b>					
Opening balance	\$ 1,425,363	\$ 1,495,289	\$ 1,410,748	\$ 1,479,543	\$ -
Property acquisition costs	-	-	12,500	-	236,830
Claim management and other property maintenance costs	-	-	1,373	557	67,652
Geological consulting and services	-	4,321	-	28,720	312,613
Geochemistry and geophysics	-	1,555	-	1,555	65,636
Assays and analyses	-	-	-	-	55,207
Travel and accommodation	-	2,404	-	2,404	81,782
Drilling and linecutting	-	4,310	-	4,310	875,079
Other	-	1,430	742	7,220	17,267
Earn-in	-	-	-	(15,000)	(255,840)
Management fees	-	(30,863)	-	(30,863)	(30,863)
Activity during the period	-	(16,843)	14,615	(1,097)	1,425,363
Closing balance	\$ 1,425,363	\$ 1,478,446	\$ 1,425,363	\$ 1,478,446	\$ 1,425,363
<b>Malartic Property, Canada (Note 5(b))</b>					
Opening balance	\$ -	\$ 27,511	\$ 12,511	\$ 12,711	\$ -
Property acquisition costs	-	-	-	-	1,778
Claim management and other property maintenance costs	-	-	-	14,800	20,129
Geological consulting and services	-	-	-	-	26,183
Geochemistry and geophysics	-	-	-	-	9,581
Earn-in	-	-	-	-	(45,160)
Activity during the period	-	-	-	14,800	12,511
Write-off	-	-	(12,511)	-	(12,511)
Closing balance	\$ -	\$ 27,511	\$ -	\$ 27,511	\$ -

# Sage Gold Inc.

(A Development Stage Company)

## Interim Consolidated Statements of Mineral Properties (continued)

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,		Cumulative from inception September 15,
	2009	2008	2009	2008	2003
<b>Onaman Property, Canada</b>					
Opening balance	\$ 7,607,924	\$ 3,678,906	\$ 7,487,566	\$ 1,476,762	\$ -
Geological consulting and services	4,442	342,309	119,034	643,115	1,597,260
Travel and accommodation	17,821	75,884	41,110	155,987	397,509
Geochemistry and geophysics	38,271	271,322	44,929	468,244	761,770
Equipment rental	-	28,138	7,875	56,680	152,173
Other	80	38,699	5,848	90,582	221,911
Assays and analyses	2,797	112,299	7,604	226,017	392,196
Drilling and linecutting	-	1,335,755	1,251	2,043,659	3,040,537
Field expenses	(8,118)	29,711	(7,920)	52,832	81,384
Property acquisition costs	12,500	75,395	12,500	495,133	561,397
Trenching	2,248	126,273	10,140	404,105	519,471
Reports	-	-	29,131	-	29,131
Claim management and other property maintenance costs	497	589	2,049	2,164	6,378
Reallocation to other Beardmore-Geraldton properties	(6,521)	-	(89,176)	-	(89,176)
Activity during the period	64,017	2,436,374	184,375	4,638,518	7,671,941
Closing balance	\$ 7,671,941	\$ 6,115,280	\$ 7,671,941	\$ 6,115,280	\$ 7,671,941
<b>Jacobus Property, Canada</b>					
Opening balance	\$ 4,468,185	\$ 2,860,962	\$ 3,574,132	\$ 1,521,186	\$ -
Trenching	24,651	30,533	431,235	84,569	796,274
Geological consulting and services	84,837	115,201	195,965	354,856	1,006,875
Travel and accommodation	30,538	2,210	120,952	23,749	200,454
Equipment rental	37,005	6,508	103,822	17,338	153,554
Assays and analyses	1,441	31,464	40,080	93,875	215,605
Other	7,155	1,373	71,290	48,276	158,557
Drilling and linecutting	74,810	36,558	180,055	742,270	1,570,714
Field expenses	10,317	7,216	13,330	42,014	108,960
Geochemistry and geophysics	2,248	28,742	10,326	167,021	395,515
Property acquisition costs	25,000	-	25,000	25,000	141,887
Claim management and other property maintenance costs	-	117	-	730	17,792
Activity during the period	298,002	259,922	1,192,055	1,599,698	4,766,187
Closing balance	\$ 4,766,187	\$ 3,120,884	\$ 4,766,187	\$ 3,120,884	\$ 4,766,187



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 (continued)

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,		Cumulative from inception September 15,
	2009	2008	2009	2008	2003
<b>Nicole Property, Canada (Note 5(c))</b>					
Opening balance	\$ -	\$ 63,658	\$ 63,658	\$ 63,658	\$ -
Property acquisition costs	-	-	-	-	5,000
Geological consulting and services	-	-	-	-	58,658
Activity during the period	-	-	-	-	63,658
Write-off	-	-	(63,658)	-	(63,658)
Closing balance	\$ -	\$ 63,658	\$ -	\$ 63,658	\$ -
<b>Hopkins Properties, Canada</b>					
Opening balance	\$ 259,400	\$ 164,716	\$ 221,705	\$ -	\$ -
Property acquisition costs	-	13,238	35,000	176,923	254,923
Claim management and other property maintenance costs	-	577	2,695	1,608	4,477
Activity during the period	-	13,815	37,695	178,531	259,400
Closing balance	\$ 259,400	\$ 178,531	\$ 259,400	\$ 178,531	\$ 259,400
<b>Beardmore Geraldton Properties, Canada (Note 5(d))</b>					
Opening balance	\$ 938,450	\$ 220,767	\$ 611,983	\$ -	\$ -
Geochemistry and geophysics	9,107	82,569	83,212	82,569	204,362
Trenching	24,367	41,400	80,225	41,400	183,234
Drilling and linecutting	-	15,634	33,491	15,634	47,308
Geological consulting and services	26,288	34,825	64,894	34,825	152,363
Assays and analyses	4,012	-	12,743	-	17,010
Travel and accommodation	-	8,522	1,628	8,522	19,521
Equipment rental	748	900	(4,358)	900	12,964
Property acquisition costs	-	20,000	117,889	239,502	357,391
Other	-	1,883	-	1,883	6,289
Claim management and other property maintenance costs	-	-	1,265	1,265	2,530
Activity during the period	64,522	205,733	390,989	426,500	1,002,972
Closing balance	\$ 1,002,972	\$ 426,500	\$ 1,002,972	\$ 426,500	\$ 1,002,972
<b>Total Mineral Properties in Canada</b>					
	\$ 15,125,863	\$ 11,410,810	\$ 15,125,863	\$ 11,410,810	\$ 15,125,863



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 (continued)

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,		Cumulative from inception September 15,
	2009	2008	2009	2008	2003
<b>Triple Junction and Dixie Fork Properties, United States</b>					
Opening balance	\$ -	\$ 168,365	\$ -	\$ 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	-	168,365	172,863
Write off	-	-	-	-	(172,863)
Closing balance	\$ -	\$ 168,365	\$ -	\$ 168,365	\$ -
<b>Pony Spur, Dike, Corridors and Sugarloaf Properties, United States (Note 5(e))</b>					
Opening balance	\$ 842,807	\$ 1,128,405	\$ 842,031	\$ 820,467	\$ -
Property acquisition costs	-	-	-	106,633	520,313
Advances	-	-	-	-	3,488
Geological consulting and services	-	8,524	776	33,744	265,997
Geochemistry and geophysics	-	-	-	73,378	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	-	485	-	12,482	28,282
Drilling and linecutting	-	-	-	54,077	54,077
Other	240	2,273	240	19,148	18,412
Recovery of costs	-	-	-	-	(31,059)
Impairment charge - Sugarloaf	-	-	-	-	(87,858)
Activity during the period	240	11,282	1,016	319,220	1,156,012
	843,047	1,139,687	843,047	1,139,687	1,156,012
Write off	(843,047)	-	(843,047)	-	(1,156,012)
Closing balance	\$ -	\$ 1,139,687	\$ -	\$ 1,139,687	\$ -



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 (continued)

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,		Cumulative from inception September 15, 2003
	2009	2008	2009	2008	
<b>Big Bend Gold Property, United States</b>					
Opening balance	\$ -	\$ 15,224	\$ -	\$ 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	15,224
Write off	-	-	-	-	(15,224)
Closing balance	\$ -	\$ 15,224	\$ -	\$ 15,224	\$ -
<b>Gold Hill Property, United States</b>					
Opening balance	\$ 937,245	\$ 560,595	\$ 972,793	\$ 135,546	\$ -
Property acquisition costs	-	-	-	50,940	109,849
Geological consulting and services	-	2,807	776	74,146	117,018
Assays and analyses	-	11,468	320	32,040	25,053
Drilling and linecutting	-	578,987	11,441	996,685	1,144,739
Travel and accommodation	-	5,733	-	20,700	20,988
Road costs	-	-	-	-	48,257
Other	-	1,114	-	2,740	20,130
Recovery of costs	-	(300,000)	(48,085)	(452,093)	(548,789)
Activity during the period	-	300,109	(35,548)	725,158	937,245
Closing balance	\$ 937,245	\$ 860,704	\$ 937,245	\$ 860,704	\$ 937,245
<b>Total Mineral Properties in United States</b>					
	\$ 937,245	\$ 2,183,980	\$ 937,245	\$ 2,183,980	\$ 937,245
<b>TOTAL</b>	<b>\$ 16,063,108</b>	<b>\$ 13,594,790</b>	<b>\$ 16,063,108</b>	<b>\$ 13,594,790</b>	<b>\$ 16,063,108</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.

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 June 30, 2009, the Company reported a loss after tax of \$2,310,406, an accumulated deficit of \$8,982,262 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.

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**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 the Canadian Institute of Chartered Accountants ("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 June 30, 2009.

**Credit Risk and the Fair Value of Financial Assets and Financial Liabilities**

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", which applies to interim and annual financial statements for periods ending on or after January 20, 2009. The application of this new standard had no impact on the Company's unaudited interim consolidated financial statements as at and for the three and nine months ended June 30, 2009.

**Mining Exploration Costs**

On March 27, 2009, the Emerging Issues Committee of the CICA approved an abstract EIC-174, "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The Company has applied this new abstract for the three and nine months ended June 30, 2009 and there was no significant impact on its unaudited interim consolidated financial statements as a result of applying this abstract.

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

**Future accounting changes**

**IFRS**

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

**Business Combinations, Consolidated Financial Statements and Non-Controlling Interests**

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling interests". These new standards will be effective for fiscal years beginning on or after January 1, 2011. Section 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3, "Business Combinations". Sections 1601 and 1602 together replace section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS-27, "Consolidated and Separate Financial Statements". The Company is in the process of evaluating the requirements of the new standards.

**3. Capital Management**

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to achieve 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 June 30, 2009 totaled \$14,086,236 (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.

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**3. Capital Management (Continued)**

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 are sufficient to discharge its liabilities as at June 30, 2009.

**4. Financial Instruments**

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

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

**Credit risk**

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, short-term investments and receivables included in other assets. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents and short-term investments are held with the Royal Bank of Canada, from which management believes the risk of loss to be minimal. Receivables included in other assets consist of goods and services tax due from the Federal Government of Canada and receivables from unrelated companies. Receivables included in other assets are current as of June 30, 2009. Management believes that the credit risk concentration with respect to receivables included in other assets is minimal.

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**4. Financial Instruments (Continued)**

**Liquidity risk**

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities and interest income earned on its short-term investments. The Company has cash and cash equivalents and short-term investments of \$461,480 (September 30, 2008 - \$376,353) to settle current liabilities of \$515,018 (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 incurring approximately \$2,087,000 in Canadian exploration expenditures by December 31, 2009. The Company intends to fulfill all flow-through commitments by seeking additional capital to increase liquidity.

**Market risk**

Interest rate risk

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

Foreign currency risk

Foreign currency risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting. The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses in the United States on a cash call basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. Management believes the foreign exchange risk derived from currency conversions is manageable and therefore does not hedge its foreign exchange risk.

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

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**4. Financial Instruments (Continued)**

**Market risk (Continued)**

Commodity and equity price risk

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

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

**Fair value**

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

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

**Sensitivity analysis**

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

(i) The Company's short-term investments are subject to variable interest rates. As at June 30, 2009, if interest rates had decreased/increased by 1% with all other variables held constant, the loss for the nine months ended June 30, 2009 would have been approximately \$2,800 higher/lower, as a result of lower/higher interest income from short-term investments. Similarly, as at June 30, 2009, reported shareholders' equity would have been approximately \$2,800 lower/higher as a result of lower/higher interest income from short-term investments due to a 1% decrease/increase in interest rates.

(ii) The Company's investment in a mineral exploration company amounting to \$60,526 is subject to fair value fluctuations. As at June 30, 2009, if the fair value of the Company's marketable securities had decreased/increased by 50% with all other variables held constant, comprehensive loss for the nine months ended June 30, 2009 would have been approximately \$30,300 higher/lower. Similarly, as at June 30, 2009, reported shareholders' equity would have been approximately \$30,300 lower/higher as a result of a 50% decrease/increase in the fair value of the Company's investment in a mineral exploration company.

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**4. Financial Instruments (Continued)**

**Sensitivity analysis (Continued)**

(iii) Commodity price risk could affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market of precious metals. As of June 30, 2009, the Company was not a producing entity. As a result, commodity price risk could affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. The Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

**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 June 30, 2009 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 Dymant 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 Dymant.

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 was 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 Dymant, in addition to the issue of \$12,500 of the share capital of Sheltered Oak Resources (formerly Lucrum Capital Corp.) ("Sheltered Oak"). Sheltered Oak 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.

On February 13, 2009, the Company issued 156,250 common shares (valued at \$12,500) in accordance with the terms of the Option Agreement.

Sage and Sheltered Oak jointly announced on July 10, 2009 that unpatented mining claim L1140877 (the "Claim") covering approximately 240 hectares of the Kerrs Gold Property, one of the 43 unpatented mining claims for which Sheltered Oak has an option to acquire a 55% interest from Sage, was forfeited on June 26, 2009 due to an error resulting from a failure to apply assessment work credits for work which had already been completed on the Claim. The area covered by the Claim is where most of the recent exploratory drilling has been done by Sheltered Oak on the Kerrs Gold Property.

Sage and Sheltered Oak are actively negotiating a resolution to this situation.

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**5. Mineral Properties (Continued)**

**(b) Malartic Property**

As at March 31, 2009, management decided that exploration will not be performed on the property, and therefore all costs have been written off.

**(c) Nicole Property**

As at March 31, 2009, management decided that exploration will not be performed on the property, and therefore all costs have been written off.

**(d) Beardmore Geraldton Properties**

On January 8, 2009, the Company issued 175,000 common shares (valued at \$14,000) 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; and (iii) 50,000 common shares in accordance with the terms of the King Solomon's Pillars Option Agreement.

On January 12, 2009, the Company issued 138,888 common shares (valued at \$9,722) in accordance with the terms of the Cote Two Rivers Option Agreement.

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

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

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**6. Equipment**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Amount June 30, 2009</b>
Office equipment	\$ 14,947	\$ 7,249	\$ 7,698
Computer equipment	13,030	7,310	5,720
Vehicles	35,653	12,166	23,487
	<b>\$ 63,630</b>	<b>\$ 26,725</b>	<b>\$ 36,905</b>

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

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**7. Share Capital**

(a) 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 have expired.

An aggregate finders' fee of \$204,000 in cash together with 2,176,000 compensation options, 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:

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Expected dividend yield	nil
Expected volatility	117%
Risk-free interest rate	2.09% to 2.30%
Expected life	2 years

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The issuance of flow-through common shares created a future income tax liability of \$1,000,500 which was allocated as a cost of issuing the flow-through shares at the time of renunciation (February 2009).

(b) On January 8, 2009, 175,000 common shares (valued at \$14,000) 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; and (iii) 50,000 common shares in accordance with the terms of the King Solomon's Pillars Option Agreement.

(c) On January 12, 2009, 138,888 common shares (valued at \$9,722) were issued in accordance with the terms of the Cote Two Rivers Option Agreement.

(d) On February 13, 2009, 156,250 common shares (valued at \$12,500) were issued in accordance with the terms of the Amendment Agreement dated as of 10th of November 2008 for the Kerrs Property.

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**8. Warrants**

The following table shows the continuity of warrants for the nine months ended June 30, 2009:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
Balance, September 30, 2008	25,433,570	\$ 0.64
Granted	13,800,000	0.20
Expired	(9,087,500)	(1.13)
Balance, June 30, 2009	30,146,070	\$ 0.30

The following are the warrants outstanding at June 30, 2009 with a weighted average exercise price of \$0.30 each.

<b>Number of Warrants</b>	<b>Black-Scholes Value</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
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
30,146,070	\$ 2,699,862		

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**9. Stock Options**

The following table shows the continuity of options for the nine months ended June 30, 2009:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2008	15,620,426	\$ 0.28
Granted <sup>(1)</sup>	1,200,000	0.10
Compensation options granted <sup>(2)</sup>	2,176,000	0.20
Expired/Cancelled	(2,125,740)	(0.24)
<b>Balance, June 30, 2009</b>	<b>16,870,686</b>	<b>\$ 0.26</b>

<sup>(1)</sup> The weighted average grant date fair value of each stock option grant was \$0.03

<sup>(2)</sup> The weighted average grant date fair value of each compensation option grant was \$0.04.

On May 28, 2009, the Company granted 1,200,000 stock options to consultants of the Company at an exercise price of \$0.10 for 2 years. Of the 1,200,000 stock options, 950,000 have vesting terms of 1/3 every 6 months and the remaining 250,000 stock options vest one year after grant. The fair value of \$38,400 was estimated using the Black-Scholes option pricing formula with the following assumptions:

Expected dividend yield	nil
Expected volatility	127%
Risk-free interest rate	1.23%
Expected life	2 years

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

	Three Months Ended June 30,		Nine Months Ended June 30,		Cumulative from inception September 15, 2003
	2009	2008	2009	2008	
Directors' and management stock-based compensation	\$ -	\$ 184,466	\$ 24,953	\$ 816,222	\$ 981,818
Salary costs and benefits	-	20,714	2,712	90,386	113,748
Investor relations and corporate development	4,492	10,954	14,213	12,152	46,259
Professional fees	-	93,614	19,697	308,572	387,871
Mineral properties	549	95,566	18,693	400,417	616,214
Stock-based compensation	-	-	-	-	366,159
	<b>\$ 5,041</b>	<b>\$ 405,314</b>	<b>\$ 80,268</b>	<b>\$ 1,627,749</b>	<b>\$ 2,512,069</b>

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**9. Stock Options (Continued)**

The following table shows the options outstanding at June 30, 2009:

	Number of Options	Exercise Amount (iv)	Price	Remaining Contractual Life (years)	Expiry Date
Consultants	250,000	\$ 35,250	\$ 0.50	0.63	February 15, 2010
Directors, Officers, Consultants & Employees	1,000,000	54,546	0.10	1.11	August 10, 2010
Consultants	15,000	1,200	0.10	1.32	October 26, 2010
Management, Directors, Employees & Consultants	1,010,000	131,300	0.17	1.58	January 27, 2011
Directors, Officers, Consultants & Employees	2,215,000	237,005	0.14	1.91	May 29, 2011
Directors, Officers, Consultants & Employees	910,000	82,810	0.12	2.67	March 1, 2012
Consultant	300,000	36,600	0.16	3.25	September 27, 2012
Management, Directors, Employees & Consultants	2,895,000	506,625	0.24	3.30	October 15, 2012
Management, Directors, Employees & Consultants	2,935,000	1,091,820	0.50	3.46	December 13, 2012
Consultant	350,000	89,950	0.50	3.56	January 18, 2013
Consultants	350,000	61,250	0.25	3.89	May 20, 2013
Consultants	1,200,000	38,400	0.10	1.92	May 28, 2011
Subtotal	13,430,000	2,366,756			
Compensation Options (i)	434,286	67,749	0.14	0.28	October 12, 2009
Compensation Options (ii)	830,400	178,536	0.50	0.38	November 14, 2009
Compensation Options (iii)	2,016,000	78,624	0.20	1.30	October 17, 2010
Compensation Options (iii)	160,000	6,240	0.20	1.32	October 25, 2010
	16,870,686	\$ 2,697,905			

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**9. Stock Options (Continued)**

- (i) 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.
- (ii) 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.
- (iii) See Note 7(a)
- (iv) Black-Scholes value for total vested and non-vested options. Of the \$2,697,905, \$34,637 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,		Nine Months Ended June 30,	
	2009	2008	2009	2008
Administrative and general expenses:				
Management fees to directors and officers	\$ 54,250	\$ 47,575	\$ 162,750	\$ 161,475
Consulting fees to companies owned by officers of the Company	33,000	23,325	93,000	69,975
Directors fees	11,250	11,250	33,750	33,750
Mineral properties:				
Consulting fees to officer	\$ 3,750	\$ 21,600	\$ 27,465	\$ 98,550

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.

	June 30, 2009	September 30, 2008
Included in accounts payable and accrued liabilities are the following amounts due to related parties:		
To directors and officers	\$ 84,766	\$ 26,629



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

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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,		Nine Months Ended June 30,	
	2009	2008	2009	2008
<b>Numerator</b>				
Loss for the period	\$ (1,227,283)	\$ (734,281)	\$ (2,310,406)	\$ (2,213,566)
<b>Denominator</b>				
Average number of common shares outstanding	176,935,121	147,891,566	175,001,068	140,548,325
<b>Basic and diluted loss per share</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>

The effect of common share purchase options and warrants on the net loss per share for the three and nine months ended June 30, 2009 and 2008 is not reflected as to do so would be anti-dilutive.

**12. Supplemental Cash Flow Information**

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2009	2008	2009	2008
<b>Non-cash financing activities</b>				
Shares issued	\$ -	\$ -	\$ (36,222)	\$ (333,291)
Agents' compensation for private placement	-	-	84,864	246,285
<b>Non-cash investing activities</b>				
Additions to mineral properties	\$ (549)	\$ (95,566)	\$ (18,693)	\$ (733,708)

**13. Commitment**

a) The Company leases its office space under a lease agreement which expires in February 2011. Remaining lease obligations, under the agreement, by fiscal year, are as follows:

2009	11,500
2010	48,333
2011	<u>20,833</u>
	<u>80,666</u>



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**13. Commitment (Continued)**

b) 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 June 30, 2009, the Company is committed to incurring approximately \$2,087,000 in CEE by December 31, 2009 arising from the flow-through offerings.

**14. General and Administrative Detail**

	Three Months Ended June 30,		Nine Months Ended June 30,		Cumulative from inception September 15, 2003
	2009	2008	2009	2008	
Directors' and management stock-based compensation <sup>(1)</sup>	-	\$ 184,466	\$ 24,953	\$ 816,222	\$ 981,818
Professional fees <sup>(1)</sup>	<b>88,182</b>	163,064	<b>262,901</b>	490,487	1,764,863
Investor relations and corporate development <sup>(1)</sup>	<b>63,269</b>	82,266	<b>207,268</b>	281,597	815,468
Salary costs and benefits <sup>(1)</sup>	<b>51,685</b>	84,530	<b>167,485</b>	221,125	841,670
Management fees	<b>54,250</b>	47,575	<b>162,750</b>	161,475	1,017,097
Office supplies	<b>38,874</b>	62,599	<b>107,321</b>	134,326	612,034
Travel and entertainment	<b>10,943</b>	52,495	<b>53,343</b>	132,513	503,094
Advertising and promotion	<b>4,735</b>	20,714	<b>27,037</b>	56,297	320,241
Insurance	<b>8,526</b>	18,166	<b>35,738</b>	45,038	172,506
Transfer agent fees	<b>2,236</b>	8,241	<b>35,511</b>	49,386	176,282
Directors fees	<b>11,250</b>	11,250	<b>33,750</b>	33,750	157,500
Accounting and corporate services	<b>7,531</b>	7,939	<b>45,219</b>	35,958	226,990
Telephone	<b>6,296</b>	7,823	<b>17,355</b>	20,104	92,153
Listing and filing fees	<b>500</b>	-	<b>29,853</b>	19,303	170,912
Shareholders' information	<b>2,388</b>	-	<b>26,548</b>	-	26,548
Flow-through tax penalty	<b>26,464</b>	-	<b>149,309</b>	20,870	189,673
Bank service charges	<b>1,296</b>	4,362	<b>5,052</b>	10,099	26,965
Foreign exchange loss (gain)	<b>2,371</b>	1,280	<b>(578)</b>	4,840	23,666
Stock-based compensation	-	-	-	-	767,742
Property holding costs	-	-	-	-	21,507
Other	-	-	-	(883)	3,523
	<b>\$ 380,796</b>	\$ 756,770	<b>\$ 1,390,815</b>	\$ 2,532,507	\$ 8,912,252

<sup>(1)</sup> Includes stock based compensation costs as shown in Note 9



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**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 Events**

- i) On July 10, 2009, the Company closed a non-brokered private placement of 10,018,508 common share units, at \$0.06 per unit, to a group of institutional investors for gross proceeds of \$601,110. Each unit consists of one common share plus one-half of one share purchase warrant. Each whole warrant is exercisable at \$0.10 for 24 months from the closing date of the offering.

A finder's fee of \$ 36,060 in cash was paid and 534,800 broker warrants were issued pursuant to the offering.

If the Company's common shares achieve a closing price of \$0.14 or higher for a period of 21 consecutive trading days, Sage may, at any time after the expiry of the hold period, notify the warrant holders that all unexercised warrants will expire in 30 days following the date that the notice is issued. All securities are subject to a four month hold period which expires on November 16, 2009.

- ii) On August 7, 2009, the Company completed the merger of Sage and Consolidated Puma Minerals Corp. ("Puma"). Under the terms of the agreement, Puma shares will be acquired at a share exchange ratio of 1.202 shares of Sage for each Puma share.

In accordance with the Arrangement Agreement dated May 20, 2009, the Sage Board of Directors has approved the grant of 3,425,700 Sage Replacement Options to former officers, directors and consultants of Puma. The Sage options replacing the Puma options are exercisable at a strike price of \$0.0832 for \$0.10 Puma options, \$0.1498 for the \$0.18 options and \$1.4559 for the \$1.75 options for a term of up to five (5) years with immediate vesting.

In addition, the Sage Board has approved the grant of 5,000,000 options to officers, directors and consultants of Sage. The options are exercisable at a strike price of \$0.10 for a term of five (5) years with vesting in tranches over a two year period.

Transaction costs amounting to \$162,998 incurred to June 30, 2009 are included in deferred transaction costs. The combined entity will retain the Sage Gold Inc. name and trading symbol SGX on the Toronto Venture Exchange.

