



Interim Consolidated Financial Statements of

NEW SAGE ENERGY CORP.

(A Development Stage Company)

For the Three Months Ended June 30, 2010

(Unaudited)

NEW SAGE ENERGY CORP.

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**NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED FINANCIAL
STATEMENTS**

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 consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

New Sage Energy Corp.

(A Development Stage Company)

Consolidated Balance Sheets

(in Canadian dollars)	June 30, 2010	March 31, 2010
	(Unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 91,866	\$ 223,914
Amounts receivable	6,551	27,003
Amounts due from related party (note 7)	5,356	26,618
Marketable securities	-	275,500
Prepaid expenses	53,641	53,475
	157,414	606,510
Property, plant and equipment	65,419	62,390
Oil and gas property interests (note 4)	1,092,040	918,209
	\$ 1,314,873	\$ 1,587,109

Liabilities and Shareholders' Equity

Current liabilities

Accounts payable and accrued liabilities	\$ 75,904	\$ 250,895
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Shareholders' equity

Common share capital (note 5(a))	11,668,080	11,614,890
Common share purchase warrants (note 5(c))	40,900	-
Contributed surplus (note 5(d))	1,006,525	1,006,525
Accumulated other comprehensive income (note 6)	-	135,469
Deficit	(11,476,536)	(11,420,670)
	1,238,969	1,336,214
	\$ 1,314,873	\$ 1,587,109

Nature of Operations and Going Concern (note 1)

Approved on Behalf of the Board:

Signed "John Carlesso" , Director

Signed "John Varghese" , Director

The accompanying notes form an integral part of these consolidated financial statements

New Sage Energy Corp.

(A Development Stage Company)

Consolidated Statements of Operations and Deficit

For the three months ended June 30,

(Unaudited)

(in Canadian dollars)

	2010	2009
Administrative and general expenses:		
Accounting and audit	\$ 6,000	\$ 4,500
Salaries, wages and benefits	86,847	57,222
Business development	29,574	26,778
Legal fees	818	-
Office and general	16,246	3,327
Amortization	4,408	6,558
Regulatory fees	1,280	5,109
Rent	13,669	10,980
Stock based compensation (note 5(b))	-	3,990
Investor relations	15,115	9,884
Transfer agent fees	839	823
	176,854	129,171
Other (income) expenses:		
Interest income	-	(676)
Gain on sale of marketable securities	(123,810)	-
Bank charges	630	295
Foreign exchange loss (gain)	2,192	-
	(120,988)	(381)
Net loss for the period	55,866	128,790
Deficit, beginning of period	\$ 14,420,670	\$ 10,192,327
Deficit, end of period	\$ 14,476,536	\$ 10,321,117
Loss per share - basic and diluted	\$ 0.00	\$ 0.00
Weighted average number of common shares outstanding – basic and diluted	31,359,145	31,292,478

The accompanying notes form an integral part of these consolidated financial statements

New Sage Energy Corp.

(A Development Stage Company)

Consolidated Statements of Comprehensive Gain and Loss

For the three months ended June 30,

(Unaudited)

(in Canadian dollars)	2010	2009
Net loss for the period	\$ 55,866	\$ 128,790
Other comprehensive (income) loss:		
Realized (gain) on sale of marketable securities transferred to operations	(135,469)	(158,400)
Comprehensive (gain) loss	\$ (79,603)	\$ (29,610)

The accompanying notes form an integral part of these consolidated financial statements

New Sage Energy Corp.

(A Development Stage Company)

Notes to the Consolidated Financial Statements

For the Three Months Ended June 30, 2010

1. Nature of Operations and Going Concern

On April 19, 2007, New Sage Energy Corp. (“New Sage” or the “Company”) announced that the Company was undertaking a change in strategic direction to identify and develop opportunities in the energy industry with a particular focus on oil and gas. The Company is a development stage entity as defined by the Canadian Institute of Chartered Accountants (the “CICA”) Accounting Guideline 11.

The business of exploring for oil and gas involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable operations. The recoverability of the carrying value of the investment and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and development activities and in which it has an interest, in accordance with industry standards for the current stage of exploration and development of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, and non-compliance with regulatory and environmental requirements.

These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of operations and at amounts different from those in the accompanying financial statements. The operations of the Company were primarily funded by the issuance of share capital. The continued operations of the Company are dependent on its ability to complete sufficient public equity financing, or generate profitable operations in the future. The Company had the following deficits and working capital as at the following dates:

Date	Deficit	Working Capital
June 30, 2010	\$ 11,476,536	\$ 81,509
March 31, 2010	\$ 11,420,670	\$ 355,615

New Sage Energy Corp.

(A Development Stage Company)

Notes to the Consolidated Financial Statements

For the Three Months Ended June 30, 2010

2. Basis of Presentation

These unaudited interim financial statements of New Sage have been prepared by management in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”) for interim financial statements and are expressed in Canadian dollars unless otherwise stated. Certain information and note disclosures normally included in the annual financial statements prepared in accordance with Canadian GAAP have been condensed or excluded. As a result, these unaudited interim financial statements do not contain all disclosures required to be included in the annual financial statements and should be read in conjunction with the most recent audited annual financial statements of New Sage and notes thereto for the year ended March 31, 2010. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The interim results for the period ended June 30, 2010 are not necessarily indicative of the results that may be expected for the full year ended March 31, 2011. These financial statements have not been reviewed by the Company’s auditors.

3. Significant Accounting Policies

These unaudited interim financial statements are prepared following accounting policies consistent with the Company’s audited annual financial statements and notes thereto for the year ended March 31, 2010, except for the following changes in accounting policies:

Future accounting and reporting changes

(a) Business combinations, consolidated financial statements and non controlling interests

In January 2009, the CICA issued CICA Handbook Section 1582, “Business Combinations”, Section 1601, “Consolidations”, and Section 1602, “Non-controlling Interests”. These sections replace the former CICA Handbook Section 1581, “Business Combinations” and Section 1600, “Consolidated Financial Statements” and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to International Financial Reporting Standard (“IFRS”) 3, “Business Combinations” (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27, “Consolidated and Separate Financial Statements” (January 2008).

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier

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3. Significant Accounting Policies (Continued)

adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

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

In 2006, the CICA Accounting Standards Board (“AcSB”) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards (“IFRS”). In February 2008, the AcSB announced that 2011 is the changeover date for public accountable companies to use IFRS. The transition date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of April 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2011. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS. The Company has begun the identification and analysis of key GAAP differences, and expects to meet all compliance deadlines.

4. Oil and Gas Property Interests

Oil and gas property interests in the USA cost centre consists of the following:

	June 30, 2010			March 31, 2010		
	Cost	Preproduction Revenue	Net book value	Cost	Preproduction Revenue	Net book value
	\$	\$	\$	\$	\$	\$
Lafourche	126,672	(21,249)	105,423	126,672	(17,044)	109,628
Pearsall	670,389	(45,072)	625,317	668,568	(45,072)	623,496
Valentine	361,300	-	361,300	185,085	-	185,085
	1,158,361	(66,321)	1,092,040	980,325	(62,116)	918,209

New Sage Energy Corp.
(A Development Stage Company)
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For the Three Months Ended June 30, 2010

5. Capital Stock

(a) Share Capital

Authorized

The Company is authorized to issue an unlimited number of common shares, without nominal or par value.

Issued

Transactions during the three month period ended June 30, 2010 are as follows:

	Number of Shares	Amount
Balance, March 31, 2010	31,292,478	\$ 11,614,890
Issued in a private placement (i)	2,000,000	53,190
Balance, June 30, 2010	33,292,478	\$ 11,668,080

- (i) Effective June 28, 2010 the Company closed the first tranche of a private placement issuing 2,000,000 units for gross proceeds of \$100,000. Each unit consists of one common share and one-half of one warrant. Each full warrant entitles the holder to purchase one additional common share at a price of \$0.10 for a period of 18 months from the date of closing. The Company has assigned a value of \$40,900 to the warrants and recorded them as a separate component of Shareholders' Equity.

(b) Stock Options

The Company has an incentive stock option plan (the "Plan") whereby it has granted options for the purchase of common shares to its directors, officers, employees and certain consultants. The aggregate number of stock options to be granted under the plan cannot exceed 10% of the issued and outstanding common shares of the Company at the time of the granting of the options. Options granted under the Plan are non-transferable and non-assignable and may be granted for a term not exceeding five years. The exercise price of the options is fixed by the board of directors of the Company at the time of grant at a price not less than the market price of the common shares, subject to all applicable regulatory requirements. Options granted under the Plan vest immediately unless determined otherwise by the board of directors or pursuant to regulatory requirements.

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Notes to the Consolidated Financial Statements
For the Three Months Ended June 30, 2010

5. Capital Stock (Continued)

A summary of changes in stock options for the three month period ended June 30, 2010 is as follows:

	Stock Options #	Weighted Average Exercise Price	Contractual Remaining Life (Years)
Balance, March 31, 2010	3,150,000	\$0.15	3.20
Exercised	-	-	-
Forfeited	-	-	-
Issued	-	-	-
Balance, June 30, 2010	3,150,000	\$0.15	2.95

The following table provides detailed information about stock options outstanding at June 30, 2010:

Date of Grant	Options Outstanding	Options Exercisable	Exercise Price	Expiry Date	Contractual Remaining Life (Years)
June 8, 2006	500,000	500,000	\$0.14	June 8, 2011	0.94
July 12, 2006	300,000	300,000	\$0.18	July 12, 2011	1.03
April 19, 2007	550,000	550,000	\$0.25	April 19, 2012	1.81
May 19, 2008	300,000	300,000	\$0.24	May 19, 2013	2.89
August 15, 2008	100,000	100,000	\$0.13	August 15, 2010	0.13
March 24, 2010	1,400,000	1,400,000	\$0.10	March 24, 2015	4.73
	3,150,000	3,150,000			2.95

(c) Share Purchase Warrants

As at June 30, 2010, the Company has 1,000,000 common share purchase warrants outstanding entitling the holder to purchase one common share of the Company. A summary of the outstanding warrants is as follows:

Number of Warrants	Exercise Price	Expiry Date	Carrying Value
1,000,000	\$0.10	December 28, 2011	40,900
1,000,000			\$ 40,900

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5. Capital Stock (Continued)

(d) Contributed Surplus

The following is a summary of contributed surplus activity:

	June 30, 2010	March 31, 2010
Opening balance	\$ 1,006,525	\$ 472,895
Employee stock-based compensation	-	74,690
Non-employee stock-based compensation	-	32,340
Expiration of warrants	-	426,600
Closing balance	\$ 1,006,525	\$ 1,006,525

(e) Per Share Information

The weighted average number of common shares outstanding during the three month period ended June 30, 2010, of 31,359,145 (2009 – 31,292,478) was used to calculate basic and diluted loss for the three month periods then ended. The effect of potential dilutive securities was not included in the calculation of diluted loss per share, as the result would be anti-dilutive.

6. Accumulated Other Comprehensive Loss

The following is a summary of the accumulated other comprehensive loss activity:

	June 30, 2010
Balance, March 31, 2010	\$ 135,469
Realized (gain) on sale of marketable securities transferred to operations	(135,469)
Balance, June 30, 2010	\$ -

7. Related Party Transactions

The Company shares its premises with another company with common management and directors. The Company receives reimbursement from the related company for its proportional shares of expenses, including rent and other occupancy costs, which totaled \$14,925, (2009 - \$17,449) in the quarter. The related company paid the entire amount shown as a receivable balance subsequent to the quarter end.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

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8. Fair Value of Financial instruments

The Company has various financial instruments comprising of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities.

Cash and cash equivalents consists of cash on hand with a financial institution in Canada. Cash and cash equivalents are designated as held-for-trading and are carried at fair value.

Amounts receivable 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.

As of June 30, 2010, the carrying amounts of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities equals fair market value due to the short-term nature of their maturities.

At June 30, 2010 the Company's financial instruments that are carried at fair value, consisting of cash and cash equivalents, have been classified as Level 1 within the fair value hierarchy.

9. Financial Instruments Risk Exposure and Risk Management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below. There have been no changes in the risks, objectives, policies and procedures during the period ended June 30, 2010.

Credit Risk

Credit risk is the risk of potential loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents and amounts receivable. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consist of cash which has been invested with a reputable financial institution in Canada and management believes the risk of loss to be remote. Amounts receivable consist of goods and services tax due from the Federal Government of Canada and receivables from a related company for shared services. Management believes that the credit risk concentration with respect to amounts receivable is remote.

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For the Three Months Ended June 30, 2010

9. Financial Instruments Risk Exposure and Risk Management (Continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Senior management is actively involved in the review and approval of planned expenditures by regularly monitoring cash flows from operations and anticipated investing and financing activities. Despite this, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. The Company will seek additional financing through equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. As at June 30, 2010, the Company had cash and cash equivalents and amounts receivable of \$103,773 (March 31, 2010 - \$277,535) to settle current liabilities of \$75,905 (March 31, 2010 - \$250,895).

Interest Rate Risk

Interest rate risk is the risk borne by an interest-bearing asset or liability as a result of fluctuations in interest rates. The Company has no interest-bearing assets or liabilities so this risk is considered low.

Foreign Currency Risk

The Company operates in Canada and the United States and has some historic accounts payable denominated in Australian dollars. To the extent that these payables remain on the Company's books, they are subject to currency transaction risk and currency translation risk. The Company does not currently hedge any of its currency exposures and does not consider the risk to be material.

Price Risk

The Company is exposed to price risk with respect to the prices of oil and gas, through its oil and gas properties. The prices of each of these commodities has increased substantially in recent years and most recently declined dramatically. Any future significant and/or protracted price declines could cause the carrying value of the investments to become impaired. The Company does not currently manage commodity price risk through the use of derivative financial instruments.

10. 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 its ongoing corporate development initiatives. 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.

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10. Capital Management (Continued)

The Company is currently in the development stage and is dependent upon external financing to fund its activities. In order to carry out planned exploration and development and pay for administrative costs, the Company will spend its existing working capital balances, utilize proceeds from warrant exercises and raise additional amounts as needed.

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 month period ended June 30, 2010 compared to the year ended March 31, 2010. The Company is not subject to externally imposed capital requirements.

The Company expects that it will be necessary to raise additional capital during the current fiscal year to meet its budgeted development plans and fund operations.

11. Supplemental Cash Flow Information

	Three Months Ended	
	June 30,	June 30,
	2009	2009
Supplemental information		
Interest received during the period	\$ -	\$ 676
Cash and cash equivalents		
Cash	\$ 91,866	\$ 27,807
Cash equivalents	\$ -	\$ 38,960
	\$ 91,866	\$ 66,767

12. Corporate Income Tax

The Company has certain resource related deductions and other losses which are available to be offset against future income in Canada. The benefits of these losses and deductions are not reflected in these financial statements. The realization of these tax benefits in future years will be recorded as an adjustment to the tax provision in the year realized.