



Financial Statements of

NEW SAGE ENERGY CORP.

(Formerly Consolidated New Sage Resources Ltd.)

For the Years Ended March 31, 2008 and 2007

Management's Responsibility for Financial Statements

The financial statements and notes thereto have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of the management of New Sage Energy Corp. Where appropriate, they reflect management's best estimates and judgement based on currently available information.

The Company has developed and maintains adequate systems of internal accounting and administrative controls, consistent with reasonable cost. These systems are designed to provide reasonable assurance that the financial information is relevant and reliable and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors of the Company is responsible for overseeing management's performance of its responsibilities for financial reporting and internal control, and is ultimately responsible for reviewing and approving the financial statements and the accompanying Management's Discussion and Analysis ("MD&A").

The Audit Committee is appointed by the Board with all three of the members being independent of management. The Audit Committee meets periodically with management and the external auditors to discuss internal controls, auditing matters and financial reporting issues, and to satisfy itself that the responsibilities of each party have been properly discharged. The Audit Committee also reviews the financial statements, MD&A and the external auditors' report. Fees and expenses for audit services are reviewed and the engagement or reappointment of the external auditors is also considered. The Audit Committee reports its findings to the Board and recommends approval of the financial statements for issuance to the shareholders.

The financial statements for the year ended March 31, 2008 have been audited by McGovern, Hurley, Cunningham, LLP, Chartered Accountants, in accordance with Canadian generally accepted auditing standards. Their report outlines the scope of their examination and opinion on the financial statements.

Signed "John Carlesso"

John Carlesso
President and Chief Executive Officer

Signed "Michael H. Farrant"

Michael H. Farrant
Chief Financial Officer

Toronto, Canada
July 3, 2008



McGovern, Hurley, Cunningham, LLP
Chartered Accountants

AUDITORS' REPORT

To the Shareholders of
New Sage Energy Corp.

We have audited the balance sheet of New Sage Energy Corp. as at March 31, 2008 and the statements of operations, comprehensive loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements for the year ended March 31, 2007 were audited by another firm of Chartered Accountants who expressed an opinion without reservation in their report dated July 4, 2007.

McGOVERN, HURLEY, CUNNINGHAM, LLP

A handwritten signature in cursive script that reads 'McGovern, Hurley, Cunningham, LLP'.

**Chartered Accountants
Licensed Public Accountants**

Toronto, Canada
July 3, 2008

New Sage Energy Corp.
(Formerly Consolidated New Sage Resources Ltd.)
 Balance Sheets

	As at March 31,	
	2008	2007
Assets		
Current assets		
Cash and cash equivalents	\$ 516,043	\$ 459,678
Amounts receivable	13,431	1,197
Prepaid expenses	4,567	4,513
	<u>534,041</u>	<u>465,388</u>
Long-term investment (note 6)	1,933,020	-
	<u>\$ 2,467,061</u>	<u>\$ 465,388</u>

Liabilities and Shareholders' Equity

Current liabilities		
Accounts payable and accrued liabilities	\$ 68,124	\$ 64,302
Shareholders' equity		
Common share capital (note 8(a))	11,160,240	9,222,611
Common share purchase warrants (note 8(c))	426,600	-
Contributed surplus (note 8(d))	420,365	109,670
Deficit	(9,608,268)	(8,931,195)
	<u>2,398,937</u>	<u>401,086</u>
	<u>\$ 2,467,061</u>	<u>\$ 465,388</u>

Going concern (note 1)
 Contingent liability (note 12)
 Subsequent events (note 13)

Approved on Behalf of the Board:

Signed "John Carlesso" , Director

Signed "John Varghese" , Director

The accompanying notes form an integral part of these financial statements

New Sage Energy Corp.*(Formerly Consolidated New Sage Resources Ltd.)***Statements of Operations, Comprehensive Loss and Deficit
For the years ended March 31,**

	2008	2007
Administrative and General Expenses:		
Accounting and audit	\$ 27,699	\$ 27,224
Consulting	219,683	13,542
Legal fees	4,387	20,475
Office and general	28,330	1,917
Regulatory fees	14,026	11,391
Rent	33,100	16,000
Stock based compensation (note 8(b))	332,395	88,262
Investor relations	13,980	5,290
Transfer agent fees	11,229	5,639
Travel accommodation	-	6,353
	684,829	196,093
Other (income) expenses:		
Interest income	(8,228)	(12,548)
Interest expense	-	680
Bank charges	460	641
Foreign exchange loss	12	3,136
Write-off of mineral property (note 7)	-	300,000
	(7,756)	291,909
Net loss and comprehensive loss for the year	677,073	488,002
Deficit, beginning of year	8,931,195	8,443,193
Deficit, end of year	\$ 9,608,268	\$ 8,931,195
Loss per share - basic and diluted	\$ 0.03	\$ 0.03
Weighted average number of common shares outstanding		
- basic and diluted	23,820,735	18,328,869

The accompanying notes form an integral part of these financial statements

New Sage Energy Corp.*(Formerly Consolidated New Sage Resources Ltd.)*

Statements of Cash Flows

For the years ended March 31,

	2008	2007
Cash provided by (used in):		
Operating:		
Net loss for the year	\$ (677,073)	\$ (488,002)
Items not involving cash:		
Write-off of mineral property	-	300,000
Loss on conversion of foreign currencies	12	3,136
Stock-based compensation	332,395	88,262
	<u>(344,666)</u>	<u>(96,604)</u>
Changes in non-cash working capital balances		
Accounts payable & accrued liabilities	3,822	(10,862)
Amounts receivable	(12,234)	(422)
Prepaid expenses	(54)	(1,888)
	<u>(353,132)</u>	<u>(109,776)</u>
Investing:		
Long-term investment	(1,933,020)	-
Financing:		
Private placements	2,381,000	560,000
Share issue costs	(163,921)	(4,500)
Exercise of options	102,350	62,250
Exercise of share purchase warrants	23,100	3,937
Promissory notes payable	-	(49,199)
	<u>2,342,529</u>	<u>572,488</u>
Effect of foreign currency exchange on cash balance	<u>(12)</u>	<u>(3,136)</u>
Increase in cash and cash equivalents	56,365	459,576
Cash and cash equivalents, beginning of year	\$ 459,678	\$ 102
Cash and cash equivalents, end of year	\$ 516,043	\$ 459,678

Supplemental cash flow information (note 10)

The accompanying notes form an integral part of these financial statements

New Sage Energy Corp.

(Formerly Consolidated New Sage Resources Ltd.)

Notes to the Financial Statements

For the Years Ended March 31, 2008 and 2007

1. Nature of Operations and Going Concern

On April 19, 2007, New Sage Energy Corp. (formerly Consolidated New Sage Resources Ltd.) ("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.

These 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 issue 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
March 31, 2008	\$ 9,608,268	\$ 465,917
March 31, 2007	\$ 8,931,195	\$ 401,086

2. Change of Name

Effective May 24, 2007, the Company changed its name from Consolidated New Sage Resources Ltd. to New Sage Energy Corp.

3. Summary of Significant Accounting Policies

These financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") using the following significant accounting policies:

(a) Basis of Presentation

All amounts presented are in Canadian dollars unless otherwise stated.

New Sage Energy Corp.

(Formerly Consolidated New Sage Resources Ltd.)

Notes to the Financial Statements

For the Years Ended March 31, 2008 and 2007

3. Summary of Significant Accounting Policies (Continued)

(b) Use of Estimates

The preparation of the Company's financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates made by the Company include factors affecting valuations of investments, tax accounts, stock-based compensation and share purchase warrants. Actual results could differ from those estimates.

(c) Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the balance sheet date for monetary items and at exchange rates prevailing at the transaction dates for non-monetary items. Revenues and expenses are translated at the average exchange rates prevailing during the years except for depreciation and amortization, which is translated at historical exchange rates. Gains and losses on translations are included in the determination of income (loss) for the years.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and balances with banks and short-term investments with original maturities of three months or less.

(e) Mineral Properties and Deferred Costs

Mineral properties consist of exploration and mining concessions, options and contracts. Acquisition and exploration costs are capitalized and deferred until such time as the property is put into production, or the property is disposed of either through sale or abandonment. If the property is put into production, deferred acquisition and exploration costs will be amortized over the life of the project based on estimated economic reserves. Proceeds received from the sale of any interest in a property will be credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the acquisition and deferred exploration costs will be written off to operations.

Management reviews capitalized costs on its mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable revenues from the property or sale of the property.

Recorded costs of mineral properties and deferred exploration and development costs are not intended to reflect present or future values of resource properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that changes in future conditions could require a material change in the recognized amount.

New Sage Energy Corp.
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Notes to the Financial Statements
For the Years Ended March 31, 2008 and 2007

3. Summary of Significant Accounting Policies (Continued)

(f) Long-Term Investments and Impairment of Investments

Long-term investments in equity securities consist of investments that are designated as available-for-sale. These are investments in which New Sage is not able to exert significant influence. Unrealized holding gains and losses, to the extent that they can be determined, related to available-for-sale investments are excluded from net earnings and are included in Other Comprehensive Income ("OCI") until such gains and losses are realized or an other-than-temporary impairment is determined to have occurred. The Company periodically reviews the carrying value of its investments. When a decline in the value of an investment is considered to be other-than-temporary, the loss is charged to operations.

(g) Stock-Based Compensation

The Company has a stock option plan as described in note 8(b). The Company accounts for options granted under the stock option plan using the fair-value method. Under this method, the fair value of options issued to directors, officers, employees and consultants is charged to earnings over their vesting period, with an offsetting amount recorded to contributed surplus. The fair value of options issued to agents in conjunction with public offerings is charged to share issue costs with an offsetting amount recorded to contributed surplus. Fair value is measured using the Black-Scholes options pricing model that takes into account, as of the grant date, the exercise price, the expected life of the option, the current price of the underlying stock and its expected volatility, expected dividends on the stock and the risk-free interest rate over the expected life of the option. When options are exercised, the proceeds received, together with any amount in contributed surplus, are credited to share capital.

(h) Share Issue Costs

Share issue costs incurred on the issue of the Company's shares are charged directly to share capital.

(i) Loss Per Share

Loss per share is calculated using the weighted average number of shares outstanding during the year. The diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share.

(j) Future Income Taxes

Income taxes are calculated using the liability method of tax allocation accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying value on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

New Sage Energy Corp.
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Notes to the Financial Statements
For the Years Ended March 31, 2008 and 2007

3. Summary of Significant Accounting Policies (Continued)

(k) Related Party Transactions

All transactions with related parties are in the normal course of business and are measured at the exchange amount.

(l) Comparative Figures

Certain comparative amounts have been reclassified to conform to the current year's presentation.

4. Changes in Accounting Policies

(a) Accounting Changes

Effective April 1, 2007, the Company adopted the revised Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook") Section 1506, "Accounting Changes". The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing more reliable and more relevant information. Changes in accounting policy are to be applied retrospectively unless doing so is impracticable or the change in accounting policy is made on initial application of a primary source of GAAP. A change in accounting estimate is generally recognized prospectively and material prior period errors are amended through restatements. Enhanced disclosures are required in respect of such accounting changes. The adoption of this Handbook Section had no impact on the Company's results of operations and financial position.

(b) Financial Instruments

Effective April 1, 2007, the Company adopted the recommendations of CICA Handbook Section 1530, "Comprehensive Income" ("Section 1530"), Section 3855, "Financial Instruments – Recognition and Measurement" ("Section 3855") and Section 3861, "Financial Instruments – Disclosure and Presentation" ("Section 3861"). These sections provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives. Section 1530 provides standards for the reporting and presentation of comprehensive income, which represents changes in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian GAAP.

Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated. The adoption of these Handbook Sections had no significant impact on the financial statements of the Company.

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Notes to the Financial Statements

For the Years Ended March 31, 2008 and 2007

4. Changes in Accounting Policies (Continued)

Under Section 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

Upon adoption of these new standards, the Company designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Marketable securities that are not cash equivalents, if any, will be classified as available-for-sale securities measured at fair value and the resulting gain or loss will be recognized in other comprehensive income until the financial asset is derecognized at which point all related cumulative gains or losses will be recognized in the statement of operations and deficit.

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. The Company's long-term investment is classified as available-for-sale. The Company does not have any held-to-maturity instruments.

Section 3861 enhances the financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows.

(c) Equity

Effective April 1, 2007, the Company adopted the new recommendations of CICA Handbook Section 3251, "Equity". This standard establishes requirements for the presentation of equity and changes in equity during the reporting period.

(d) Non-Monetary Transactions

Effective April 1, 2007, the Company adopted the new recommendation of CICA Handbook Section 3831, "Non-monetary Transactions". This standard requires all non-monetary transactions be measured at fair values unless they meet one of four criteria. Commercial substance replaces culmination of the earnings process as the best test for fair value measurement. A transaction has commercial substance if it causes an identifiable and measurable change in the economic circumstances of the entity. The adoption of this standard had no impact on the Company's financial statements.

New Sage Energy Corp.

(Formerly Consolidated New Sage Resources Ltd.)

Notes to the Financial Statements

For the Years Ended March 31, 2008 and 2007

4. Changes in Accounting Policies (Continued)

(e) New Pronouncements

On December 1, 2006, the CICA issued Section 3862 “Financial Instruments – Disclosures” and Section 3863 “Financial Instruments - Presentation” and Section 1535, “Capital Disclosures”. These new standards are applicable for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. Section 3862 on financial instrument disclosures, provides guidance on disclosures about risks associated with both recognized and unrecognized financial instruments and how these risks are managed and is consistent with Section 3861. The new Section removes duplicate disclosures relating to concentrations of risk, credit risk, liquidity risk and price risk currently found in Section 3861. Section 3863 on the presentation of financial statements is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity’s objectives, policies and processes for managing capital. The Company will adopt these standards on April 1, 2008. The adoption of these standards on April 1, 2008 is not expected to impact the Company’s financial statements.

In addition, in June 2007, the CICA issued new Handbook Section 3031, “Inventories”. This standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-downs to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories and allows for the reversals of write-downs when there is a subsequent increase in the value of inventories. This standard is effective for fiscal years beginning on or after January 1, 2008. The adoption of this standard on April 1, 2008 is not expected to impact the Company’s financial statements.

On February 1, 2008, the CICA issued Handbook Section 3064, “Goodwill and Intangible Assets”. This Section establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit oriented enterprises. This standard is effective for fiscal years beginning on or after October 1, 2008. The changes are effective for New Sage beginning April 1, 2009. The Company believes that that the adoption of this new standard will have no impact on the Company’s financial statements.

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.

New Sage Energy Corp.
(Formerly Consolidated New Sage Resources Ltd.)
Notes to the Financial Statements
For the Years Ended March 31, 2008 and 2007

5. Financial Instruments

Canadian GAAP requires that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in matters of significant judgement, and therefore cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The Company's carrying value of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities approximate their fair value due to the immediate or short-term nature of those instruments.

The Company's available-for-sale investment consists of an investment in a private company. Since there is no quoted market value for this investment, the Company continues to carry it at historic cost. The fair value of this investment could differ materially from its carrying value.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency, or credit risks arising from these financial instruments.

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure of foreign currency risk.

At March 31, 2008 the Company had the following financial liabilities denominated in foreign currencies:

	US\$	CDN \$
Accounts Payable	\$ 896	\$ 921

	Australian \$	CDN \$
Accounts Payable	\$ 29,153	\$ 27,363

At March 31, 2008 US dollar amounts were converted at a rate of \$1.0279 Canadian dollars to \$1.00 US dollar, and Australian dollar amounts were converted at a rate of \$0.9386 Canadian dollar to \$1.00 Australian dollar.

New Sage Energy Corp.

(Formerly Consolidated New Sage Resources Ltd.)

Notes to the Financial Statements

For the Years Ended March 31, 2008 and 2007

6. Long-Term Investment

On June 15, 2007, the Company undertook the initial terms of a joint venture agreement (the "Agreement") with Americas Petrogas Inc. ("API"), a private Canadian oil and gas company focused on exploiting oil and gas business opportunities in South America by purchasing 3,600,000 shares and 1,800,000 warrants of API at US\$0.50 per unit, for a total of US\$1,800,000. As part of the Agreement, API is required to issue an additional 360,000 common shares to New Sage in the event that API has not completed a going public transaction on or before June 15, 2008. The terms of the Agreement also provided the Company with the right and option to farm in to projects held by API in the Neuquen Basin, Argentina, up to a maximum of 10% of API's interest until December 2007. Although the initial option term has expired without being exercised by the Company, discussions between API and the Company with respect to this opportunity are ongoing. The shares of API acquired by New Sage represent less than ten percent of the outstanding shares of API and are held as an available-for-sale investment. Since API is currently a private company, there is no readily available method of determining the value of the investment. As such, the Company has not revalued the investment from its original cost and has not recorded any gain or loss in OCI.

On November 9, 2007, Valverde Capital Corp. ("Valverde") (TSX Venture: VLV.P) announced plans to acquire API which is intended to be Valverde's Qualifying Transaction under TSX Venture Exchange Policy 2.4. In accordance with the terms of the Agreement, subsequent to March 31, 2008 API issued an additional 360,000 common shares to New Sage. In the event that API completes this or another transaction that results in its going public thereby establishing a market price for the shares of API, New Sage will begin to record any gain or loss on its investment in API in OCI.

7. Mineral Property

Seppelt Prospect

As part of its previous business direction, the Company retained a 10% free carried interest in six tenements (subject to a gross royalty on the sale of diamonds produced from the tenements) located in North Kimberly, Kimberlite Province of Western Australia. Prior costs incurred on the project totaled \$2,555,222. During the years prior to and including March 31, 2002, the value of the property was written down to \$300,000. In the year ended March 31, 2007, the Company wrote off the remaining \$300,000 of deferred costs on this property to \$Nil due to the Company's new business direction.

New Sage Energy Corp.
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 Notes to the Financial Statements
For the Years Ended March 31, 2008 and 2007

8. 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 years ended March 31, 2007 and 2008 are as follows:

	Number of Shares	Amount
Balance, March 31, 2006	12,309,014	\$ 8,591,932
Private placement at \$0.08 per unit	7,000,000	560,000
Finders' fee	93,750	7,500
Share issue costs	—	(12,000)
Exercise of stock options at \$0.15 per share	415,000	62,250
Exercise of stock options – valuation allocation	—	8,992
Warrants exercised at \$0.105 per share	37,500	3,937
Balance, March 31, 2007	19,855,264	9,222,611
Private placement at \$0.40 per unit	3,952,500	1,581,000
Warrant valuation on private placement	—	(316,200)
Private placement at \$0.35 per unit	2,285,714	800,000
Warrant valuation on private placement	—	(110,400)
Share issue costs	—	(163,921)
Warrants exercised at \$0.105 per share	220,000	23,100
Exercise of stock options (599,000 at \$0.15 per share and 50,000 at \$0.25 per share)	649,000	102,350
Exercise of stock options – valuation allocation	—	21,700
Balance, March 31, 2008	26,962,478	\$ 11,160,240

On June 5, 2006, the Company closed a private placement consisting of 7,000,000 units at \$0.08 per unit for a total consideration of \$560,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable to purchase one additional share for a period of two years at \$0.105 per share on or before June 5, 2008. The Company paid out cash finders' fees of \$4,500 and issued 93,750 shares with a value of \$7,500.

New Sage Energy Corp.

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For the Years Ended March 31, 2008 and 2007

8. Capital Stock (Continued)

On June 22, 2007, the Company closed the first tranche of a private placement consisting of 3,397,500 units at \$0.40 per unit for total proceeds of \$1,359,000. On August 29, 2007, the Company closed the second tranche of the private placement consisting of 455,000 units at \$0.40 per unit for total proceeds of \$182,000 and on October 30, 2007, the Company closed the third and final tranche of this private placement consisting of 100,000 units at \$0.40 per unit for total proceeds of \$40,000. In all, the Company placed 3,952,500 units at \$0.40 per unit for total gross proceeds of \$1,581,000. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at \$0.50 until June 21, 2009 on the first tranche, August 28, 2009 on the second tranche and October 30, 2009 on the third tranche. A commission of \$7,000 was paid in connection with the final closing of this private placement.

On December 19, 2007, the Company closed a private placement consisting of 2,285,714 units at \$0.35 per unit for total proceeds of \$800,000. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at \$0.50 until December 19, 2009.

On December 19, 2007, the Company granted special bonuses totaling \$140,000 to five officers and directors of the Company in connection with their work related to the Company's financings during the year ended March 31, 2008. These amounts have been recorded as share issue costs.

The fair value of the warrants was estimated on the date of grant using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 84% to 105%, risk-free interest rate of 3.80% to 4.25% and an expected life of 2 years.

(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. On February 22, 2008, the TSX Venture Exchange accepted for filing the Company's stock option plan which was approved by the Company's shareholders at the Annual General Meeting that was held on August 29, 2007. Under this Plan, the Company has implemented a rolling stock option plan whereby the number of stock options available 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. This replaced the previous Plan which had provided that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted may not exceed 3,880,000. 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. Under the previous Plan, options granted became vested with the right to exercise one-quarter of the option on the date of grant and one-quarter of the option every six months thereafter. Under the new Plan, options granted vest immediately unless determined otherwise by the board of directors or pursuant to regulatory requirements.

New Sage Energy Corp.
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8. Capital Stock (Continued)

A summary of the status of the Company's stock option plan as of March 31, 2008 and 2007, and changes during the years then ended is as follows:

	2008			2007		
	Number of Options	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)
Options Outstanding, beginning of year	1,485,000	0.15	3.16	1,500,000	0.15	2.88
Granted	2,200,000	0.26	—	800,000	0.16	—
Exercised	(649,000)	0.16	—	(415,000)	0.15	—
Cancelled/Expired	(436,000)	0.23	—	(400,000)	0.15	—
Options Outstanding, end of year	2,600,000	0.23	3.88	1,485,000	0.15	3.16

The following table provides detailed information about stock options outstanding at March 31, 2008:

Date of Grant	Number Outstanding and Exercisable	Exercise Price	Expiry Date	Contractual Remaining Life (Years)
June 8, 2006	500,000	\$0.14	June 8, 2011	3.19
July 12, 2006	300,000	\$0.18	July 12, 2011	3.28
April 19, 2007	1,500,000	\$0.25	April 19, 2012	4.05
December 19, 2007	300,000	\$0.35	December 19, 2012	4.72
	2,600,000	\$0.23		3.88

The Company included in contributed surplus and recognized stock-based compensation expense of \$332,395 during the year ended March 31, 2008 (2007 - \$88,262). The amount is management's estimates of the fair value of stock options granted and vested during the period, and has been expensed in the statement of operations. The weighted average grant date fair value of options granted during the year ended March 31, 2008 was \$0.16 (2007 - \$0.13).

The above fair values of options were estimated at the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

	2008	2007
Expected annual volatility	84% to 108%	131%
Risk-free interest rate	3.80% to 4.16%	4.25%
Expected life	2.5 years	5.0 years
Expected dividend yield	Nil	Nil

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8. Capital Stock (Continued)

(c) Share Purchase Warrants

As at March 31, 2008, the Company has 9,861,607 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
6,742,500	\$0.105	June 5, 2008	\$ —
1,698,750	\$0.50	June 21, 2009	271,800
227,500	\$0.50	August 28, 2009	36,400
50,000	\$0.50	October 30, 2009	8,000
1,142,857	\$0.50	December 19, 2009	110,400
9,861,607			\$ 426,600

The following is a summary of warrant activity for the years ended March 31, 2008 and 2007:

	Number of Warrants	Weighted Average Exercise Price (\$)	Carrying Value
Balance, March 31 2006	—	—	\$ —
Warrants issued	7,000,000	0.105	—
Warrants exercised	(37,500)	0.105	—
Balance, March 31 2007	6,962,500	0.105	—
Warrants issued	3,119,107	0.50	426,600
Warrants exercised	(220,000)	0.105	—
Balance, March 31, 2008	9,861,607	0.23	\$ 426,600

(d) Contributed Surplus

The following is a summary of contributed surplus activity:

	March 31, 2008	March 31, 2007
Balance, beginning of year	\$ 109,670	\$ 30,400
Employee stock-based compensation	245,935	88,262
Non-employee stock-based compensation	86,460	-
Exercise of options	(21,700)	(8,992)
Balance, end of year	\$ 420,365	\$ 109,670

(e) Per Share Information

The weighted average number of common shares outstanding during the year ended March 31, 2008, of 23,820,735 (2007 - 18,328,869) was used to calculate basic and diluted loss for the year. The effect of potential dilutive securities was not included in the calculation of diluted loss per share, as the result would be anti-dilutive.

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9. Related Party Transactions

- (a) During the year ended March 31, 2008, legal fees of \$4,387 (2007 - \$20,475) were incurred with a law firm in which a personal law corporation controlled by the then Secretary of the Company is a principal.
- (b) The Company shares its premises with another company with common management and directors. The Company reimburses the related company for its proportional share of expenses, including rent of \$33,100. Subsequent to March 31, 2008, New Sage terminated the agreement effective July 31, 2008.
- (c) During the year ended March 31, 2008, directors and officers of the Company were granted options to purchase up to 1,450,000 common shares of the Company (1,150,000 at \$0.25 per share and 300,000 at \$0.35 per share) for a period of five years. During the year ended March 31, 2007, directors and officers of the Company were granted options to purchase up to 800,000 common shares of the Company (500,000 at \$0.14 per share and 300,000 at \$0.18 per share) for a period of five years.
- (d) During the year ended March 31, 2008, an officer and director of the Company subscribed for shares as part of a private placement. 250,000 units were issued to this officer for gross proceeds of \$100,000.
- (e) See Note 8(a).

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.

10. Supplemental Cash Flow Information

	2008	2007
Supplemental information		
Interest received during the year	\$ 3,929	\$ 12,448
Interest paid during the year	\$ -	\$ 680
Significant non-cash transactions		
Issuance of common shares for share issue costs	\$ -	\$ 7,500
Cash and cash equivalents		
Cash	\$ 26,644	\$ 65,980
Cash equivalents	\$ 489,399	\$ 393,698
	\$ 516,043	\$ 459,678

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11. Income Taxes

There was no income tax expense or recovery for 2008 or 2007.

Income tax expense varies from the amount that would be computed from applying the combined federal and provincial income tax rate to loss before taxes as follows:

	2008	2007
Loss for year before taxes	\$ (677,073)	\$ (488,002)
Statutory Canadian corporate tax rate	36%	34.10%
Anticipated tax recovery	(244,000)	(166,409)
Changes in tax rates	332,000	-
Stock-based compensation	120,000	30,097
Share issuance costs	(59,000)	
Non-capital losses expired	18,000	25,849
Other	15,744	
Change in valuation allowance	(182,744)	110,463
Income tax recovery	\$ —	\$ —

The significant components of the Company's future income tax assets are as follows:

	2008	2007
Equipment	\$ 4,000	\$ 4,332
Exploration and development deductions	2,266,000	2,371,446
Non-capital loss carry forwards	282,000	220,825
Capital loss carry forwards	128,000	300,558
Share issue costs	39,000	4,583
	2,719,000	2,901,744
Valuation allowance	(2,719,000)	(2,901,744)
	\$ —	\$ —

As at March 31, 2008 the Company had available for deduction against future taxable income, non-capital losses in Canada of approximately \$972,000, which expire as follows:

2009	\$ 228,000
2014	131,000
2015	80,000
2026	52,000
2027	104,000
2028	377,000
	<u>\$ 972,000</u>

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11. Income Taxes (Continued)

At March 31, 2008, the Company has unclaimed resource and other deductions of approximately \$7,813,000, which may be deducted against future taxable income on a discretionary basis. The Company has capital losses that are available to reduce future year's capital gains in the amount of approximately \$881,000 which do not expire.

In addition, the Company has incurred share issue costs approximating \$134,000 which have not yet been claimed for income tax purposes.

Tax benefits have not been recorded due to uncertainty regarding their utilization.

12. Contingent Liability

The Company has been named as a party to a statement of Claim in the amount of \$25,000 plus applicable interest. The management of the Company considers that the claim will not prevail but the actual outcome is not determinable. Any adjustments required as a result of this claim will be accounted for in the period that a final judgment is received or settlement occurs.

13. Subsequent Events

- (i) On May 7, 2008, the Company provided notice pursuant to National Instrument 51-102 of a change of auditor by the Company from Mackay LLP, Chartered Accountants to McGovern, Hurley, Cunningham, LLP, Chartered Accountants. The change was made solely as the result of the change in location of the Company's head office from Calgary to Toronto.
- (ii) On May 19, 2008, the Company appointed a new Director. In connection with this appointment, the Company granted options to purchase up to 300,000 common shares of New Sage at a price of \$0.24 per share for a period of five years.
- (iii) Subsequent to March 31, 2008, 4,330,000 warrants, having an exercise price of \$0.105 were exercised for proceeds of \$454,650. Included in these exercises were 50,000 warrants exercised by a party related to a director and officer of the Company for proceeds of \$5,250. The remaining 2,412,500 warrants having an exercise price of \$0.105 expired unexercised on June 5, 2008.
- (iv) See Note 6.