SARGOLD RESOURCE CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

(Unaudited, Prepared by Management)

September 30, 2007

Notice to Readers

The interim unaudited consolidated financial statements of Sargold Resource Corporation (the "Company") for the three and nine months ended September 30, 2007 ("Financial Statements") have been prepared by management and have not been reviewed by the Company's auditors. The Financial Statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2006 which are available at the SEDAR website at www.sedar.com.

SARGOLD RESOURCE CORPORATION
CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian dollars)
(Unaudited, Prepared by Management)
As at September 30, 2007 and December 31, 2006

(See Note 1 - Basis of presentation)	Notes	September 2007	December 31 2006
ASSETS			
CURRENT			
Cash and cash equivalents		$ 300,110	$ 468,723
Accounts receivable	(8)	559,111	470,584
Inventories	(2)	814,684	371,619
Prepaids and other		68,217	122,229
		1,742,122	1,433,155
PLANT AND EQUIPMENT	(3)	3,221,025	3,690,107
MINERAL PROPERTIES AND DEFERRED COSTS	(4)	30,167,480	30,595,038
		$ 35,130,627	$ 35,718,300
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	(8)	$ 3,523,551	$ 2,784,848
Current portion of long-term liabilities	(5)	939,683	1,085,198
		4,463,234	3,870,046
LONG-TERM			
Long-term liabilities	(5)	7,780,521	8,379,645
Asset retirement obligations and other liabilities	(6)	3,865,084	4,168,971
Future income taxes		5,547,433	6,002,899
		21,656,272	22,421,561
SHAREHOLDERS' EQUITY			
Share capital	(7)	20,289,943	18,288,918
Contributed surplus	(7)	3,970,044	3,013,316
Comprehensive income		(96,328)	(96,328)
Deficit		(10,689,305)	(7,909,167)
		13,474,354	13,296,739
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 35,130,626	$ 35,718,300
COMMITMENTS AND CONTINGENCIES	(11)		

Approved on behalf of the board of directors:

/S/ James G. Stewart *—* */S/ Brian R. McEwen*

James G. Stewart - Director

Brian R. McEwen – Director

See accompanying notes to the consolidated Financial Statements

SARGOLD RESOURCE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Expressed in Canadian dollars)
(Unaudited, Prepared by Management)

(See Note 1 - Basis of presentation)	Notes	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
MINING REVENUES		$ 548,887	$ -	$ 1,130,540	$ -
EXPENSES					
Salaries and benefits		721,263	329,505	1,871,552	979,326
Raw materials and consumables		695,567	20,767	1,235,225	128,638
Power		262,144	-	558,652	-
Amortization		244,598	500	529,242	2,212
Consulting and communication		348,271	107,286	602,741	328,636
Office and sundry		54,034	99,948	208,267	273,202
Stock based compensation		44,669	43,488	141,503	65,989
Accounting and audit		25,900	1,076	85,226	53,030
Rent		26,623	27,905	76,387	92,732
Write-off of resource property		1,134,607	-	1,171,119	-
Filing and regulatory		7,171	7,901	35,281	40,034
Travel		24,299	4,948	47,359	49,513
Investor relations		2,086	-	17,750	5,390
Legal fees		46,586	2,784	48,166	5,512
Foreign exchange loss (gain)		(1,486,052)	(17,140)	(2,907,695)	436,606
Capital projects		-	(34,938)	-	(92,810)
Administration	(8)	-	7,500	-	22,500
		2,151,766	601,530	3,720,775	2,390,510
Earnings (Loss) from operations		(1,602,879)	(601,530)	(2,590,235)	(2,390,510)
Interest and other income		37,207	13,532	56,566	141,145
Gain on disposition of marketable securities		-	617,420	-	636,686
Gain on repayment of debt		-	5,637,738	-	5,637,738
Interest and finance charges	(5)	(71,510)	(135,354)	(218,719)	(500,819)
NET EARNINGS (LOSS)		(1,637,182)	5,531,806	(2,752,388)	3,524,240
Deficit beginning of period		(9,052,123)	(11,200,053)	(7,909,167)	(9,192,487)
Share issue costs		-	-	(27,750)	-
Other comprehensive income (loss)		-	-	-	-
DEFICIT, END OF PERIOD		$ (10,689,305)	$ (5,668,247)	$ (10,689,305)	$ (5,668,247)
BASIC & DILUTED EARNINGS (LOSS) PER SHARE		$ (0.02)	$ 0.11	$ (0.04)	$ 0.08
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		77,439,772	51,464,592	69,029,516	45,153,180

See accompanying notes to the consolidated financial statements

SARGOLD RESOURCE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
(Unaudited, Prepared by Management)

	Notes	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING:					
OPERATING					
Net earnings (loss) for the period		$ (1,637,182)	$ 5,531,806	$ (2,752,388)	$ (2,007,566)
Items not affecting cash:					
Amortization		244,598	500	529,242	1,712
Stock based compensation		44,669	43,488	141,503	22,501
Unrealized foreign exchange (gain) loss		202,858	(77,342)	(1,067,469)	413,402
Gain on disposition of marketable securities		-	(617,420)	-	(19,266)
Gain on disposition on repayment of debt		-	(5,637,738)	-	(19,266)
Discount interest on debt and capital lease		-	134,868	20,231	363,323
Write-off of resource property		1,134,607	-	1,171,119	-
		(10,450)	(621,838)	(1,957,762)	(1,245,160)
Net changes in non-cash working capital items:					
Accounts receivable		(44,668)	(71,429)	(88,526)	201,095
Inventories	(2)	(138,111)	-	(443,065)	-
Prepaids and deposits		(4,525)	(183,381)	54,012	15,969
Accounts payable and accrued liabilities		-	129,507	343,525	(106,846)
Asset retirement obligation and other liabilities	(6)	-	(19,555)	33,264	121,136
Net cash flows used in operating activities		(197,754)	(766,696)	(2,058,552)	(1,013,806)
FINANCING					
Issuance of common shares		-	3,105,000	2,816,250	-
Repayment of notes and advances		-	(1,432,326)	-	-
Subscriptions for common shares		-	(924,300)	-	-
Repayment of obligations under capital leases		-	-	-	-
Share issue costs		-	-	(27,750)	924,300
Net cash flows from investing activities		-	748,374	2,788,500	924,300
INVESTING					
Acquisition of mining assets		-	(1,432,326)	-	(9,950)
Deferred exploration expenses		(709,882)	(13,912)	(836,331)	(276,387)
Acquisition of plant and equipment		-	-	(62,230)	(81,229)
Proceeds from disposition of assets		-	680,630	-	61,266
Net cash flows used in investing activities		(709,882)	(765,608)	(898,561)	(306,300)
NET CASH OUTFLOW		(907,636)	(783,930)	(168,613)	(395,806)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		1,207,746	838,808	468,723	1,215,348
CASH AND CASH EQUIVALENTS, END OF PERIOD		$ 300,110	$ 54,878	$ 300,110	$ 819,542

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
For the Nine Months Ended September 30, 2007
(Unaudited, Prepared by Management)

1. BASIS OF PRESENTATION

The accompanying interim consolidated financial statements of Sargold Resource Corporation (the "Company") have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements and accordingly do not include all disclosures required for annual financial statements.

These interim consolidated financial statements follow the same significant accounting policies and methods of application as the Company's annual consolidated financial statements for the year ended December 31, 2006 (the "Annual Financial Statements"). The interim consolidated financial statements should be read in conjunction with the Annual Financial Statements. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for interim periods are not necessarily indicative of the result that may be expected for the full fiscal year ending December 31, 2007.

These consolidated financial statements have been prepared in accordance with Canadian GAAP on a going concern basis which presumes that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company incurred a net loss of $1,617,781 for the nine months ended September 30, 2007 and has an accumulated deficit of $10,689,305 as at September 30, 2007. The losses have been funded primarily by the issuance of equity. The Company's ability to continue as a going concern is uncertain and dependent on its ability to achieve profitable operations and on its ability to obtain additional capital and on the continued support of its shareholders and creditors. Management plans to raise additional capital to finance its plans for the Company, however the ability to do so is uncertain and the terms and conditions cannot be predicted at this time.

These consolidated financial statements do not include any adjustment to the amounts and classifications of assets and liabilities, which might be necessary should the Company be unable to continue in business.

2. INVENTORIES

	September 30 2007	September 2006
Work in process	$ 348,266	$ 121,529
Raw materials and consumables	466,418	250,090
	$ 814,684	$ 371,619

3. PLANT AND EQUIPMENT

	September 30, 2007			December 31, 2006
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Furniture and fixtures	$ 2,858	$ 1,718	$ 1,140	$ 1,341
Computer hardware	19,544	11,479	8,065	10,407
Plant and equipment	3,948,645	736,825	3,211,820	3,678,359
	$ 3,971,047	$ 750,022	$ 3,221,025	$ 3,690,107

(Expressed in Canadian dollars)

4. MINERAL PROPERTIES AND DEFERRED COSTS

	Mineral Properties - Cost		Deferred Costs	
	September 30 2007	December 31 2006	September 30 2007	December 31 2006
Furtei property	$ 20,937,956	$ 20,937,956	$ 6,241,927	$ 5,501,958
Monte Ollasteddu property (1)	2,987,597	2,984,167	-	-
Lodestone Mountain property	-	959,036	-	175,409
Serbian properties	-	36,512	-	-
	$ 23,925,553	$ 24,917,671	$ 6,241,927	$ 5,677,367

Mineral properties - cost:		
Balance, beginning of period	$ 24,917,671	$ 21,908,950
Additional acquisition costs	3,430	3,008,721
Write-offs	(995,548)	-
Balance, September 30, 2007 and December 31, 2006	23,925,553	24,917,671
Deferred costs:		
Balance, beginning of period	5,677,367	5,376,555
Work program expenditures (2)	740,129	300,812
Write-offs	(175,569)	-
Balance, September 30, 2007 and December 31, 2006	6,241,927	5,677,367
Total Mineral properties and deferred costs	$ 30,167,480	$ 30,595,038

(1) Interest in the Monte Ollasteddu property is comprised of research permits for the three tenements: Funtana Su Cardosu, Monte Ollasteddu and Muflone Langius which together total 1,572 hectares.

(2) Includes geological, engineering and environmental work programs designed to advance the development of the mineral properties.

During the year, the Company wrote off its interest in the Serbian and Lodestone Mountain (note 12) properties.

(Expressed in Canadian dollars)

5. LONG TERM NOTES

As a result of the acquisition by Sargold of the Sardinian properties and subsequent re-negotiation of the share purchase agreement, the long-term liabilities outstanding as at September 30, 2007 are as follows:

	September 30 2007	December 31 2006
Long term note to Progemisa	$ 7,429,833	$ 8,079,867
Long term note to Sardinian Region Financing Institute	787,341	823,408
Obligation under Capital Leases	214,862	289,633
Long term obligation to Gold Fields Limited	288,168	271,935
	8,720,204	9,464,843
Less: current portion	(939,683)	(1,085,198)
	$ 7,780,521	$ 8,379,645

Long-term note to Progemisa

The $7,429,883 (€5,254,512) note payable to Progemisa represents the amount that is payable, if and only when surplus cash flow is achieved from operations in Furtei. Progemisa is a 10% equity partner in Sardinia Gold Mining SpA (“SGM.”) and SGM Ricerche SpA (“Ricerche”).

Long term note to Sardinian Region Financing Institute

The note payable of $787,341 (€555,448) to the Sardinian Region Financing Institute (“SRFI”) represents a loan received by SGM plus accrued interest. The loan was provided in advance to SGM in lieu of the entitlement SGM may have received under a Sardinian Region Grant (“SRG”) of €1,560,000 for work it was to undertake developing the Su Coru underground gold deposit. Through September 30, 2007 as the majority of the advanced funds had not been spent on developing the Su Coru ore body, SRFI has requested a repayment of the advanced funds plus accrued interest. The Company is in negotiation with SFRI as to a repayment schedule, which would permit the continued operation of the Furtei mine.

Obligation under capital leases

In October 2006 SGM entered into a capital lease for the purchase of a jumbo drill with a lease term of two years and a fair market value of €200,000. Future minimum lease payments are as follows:

Future Minimum Lease Payments:		
	2007	$ 69,005
	2008	173,239
		242,244
Less: Imputed Interest		(24,333)
Net Obligation under Capital Leases		$ 217,911

Long-term obligation to Gold Fields Limited

The amount due to Gold Fields of $288,168 relates to the commitment to issue shares on the first and second anniversaries of the closing date of the agreement, December 22, 2007 and 2008.

(Expressed in Canadian dollars)

6. ASSET RETIREMENT OBLIGATIONS AND OTHER LIABILITIES

SGM has provided for costs to rehabilitate the properties in Sardinia. The environmental monitoring plan in place aims to ensure that the mining, processing and rehabilitation work is carried out in a manner which conforms to legal requirements, and further to ensure that environmental impacts of the project are minimized. This activity includes backfilling, contouring, covering with topsoil and replanting trees and shrubs on land previously disturbed by exploration. The amount accrued attributable to mine rehabilitation is $903,102 (2006 - $904,946). This amount is the estimated fair value.

Other liabilities provided for include deferred government grants of $1,758,395 (2006 – $1,864,963), employee entitlements of $792,871 (2006 – $737,646) and other items totalling $375,870 (2006 – $369,959).

7. SHARE CAPITAL

(a) Authorized

Unlimited number of Class "A" common voting shares without par value.
Unlimited number of Class "B" common non-voting shares without par value.
Unlimited number of non-voting preferred shares without par value.

(b) Issued

Changes in the Company's share capital were as follows:

	Number of Shares	Amount
Common shares, Balance at December 31, 2005	40,356,439	$ 15,014,098
Issued for cash	22,250,000	4,355,000
Issued for Ricerche acquisition (1)	833,333	179,167
Fair value of warrants	-	(1,259,347)
Common shares, Balance at December 31, 2006	63,439,772	$ 18,288,918
Issued for cash	14,000,000	2,800,000
Fair value of warrants	-	(831,157)
Issued for options exercised	125,000	32,182
Common shares, Balance at September 30, 2007	77,564,772	$ 20,289,943

7. SHARE CAPITAL (continued)

(c) Private Placement

On June 13, 2007 the Company closed a non-brokered private placement of 14,000,000 units of the Company at a price of $0.20 per unit for gross proceeds of $2,800,000. Each unit consists of one common share and one common share purchase warrant, which entitles the holder to acquire one common share at a price of $0.25 for a period of two years expiring between September 5, 2009 and September 12, 2009. The Company determined the value of the warrants is $831,157. This value was determined by calculating the fair value of the common shares and warrants issued and prorating these amounts by the actual proceeds received. The fair value of the warrants was calculated using the Black-Scholes model for warrant valuation, assuming an average volatility of 89% on the underlying shares, a risk free interest rate of 4.69%, a two year term to expiry and no annual dividends.

On July 28, 2006 the Company closed a non-brokered private placement of 17,250,000 units of the Company at a price of $0.18 per unit for gross proceeds of $3,105,000. Each unit consists of one common share and one half of one common share purchase warrant. One whole share purchase warrant entitles the holder to acquire one common share at a price of $0.30 for a period of two years expiring on July 28, 2008. Fair value of the warrants is $942,675 and was calculated using the Black-Scholes model for warrant valuation, assuming an average volatility of 82% on the underlying shares, a risk free interest rate of 4.25%, a two year term to expiry and no annual dividends.

On December 22, 2006 the Company completed a private placement of 5,000,000 shares at a price of $0.25 per share for proceeds of $1,250,000 to a subsidiary of Gold Fields Limited. The Company also issued to the Gold Fields' subsidiary 833,333 common shares as partial payment for the acquisition of Gold Fields' interest in Ricerche. In accordance with the purchase agreement the Company is obligated to compensate Gold Fields with the payment of shares with a value of $500,000 in three installments: 833,333 shares after signing the agreement, based on a share price of $0.20 per share, and shares equal to one third of the consideration on each of the first and second anniversaries of the agreement, based on a share price equal to the greater of: (a) the weighted average trading price of the Shares in the preceding 30 trading days and (b) $0.17 per Share.

(d) Stock Options

As at September 30, 2007, 5,735,665 stock options granted to the directors, officers and employees of the Company are outstanding.

The number of authorized but unissued common shares that may be issued upon the exercise of options granted under the Company stock option plan at any time plus the number of common shares reserved for issuance under outstanding incentive stock options otherwise granted by the Company shall not exceed 10% of the issued and outstanding common shares. The option period is determined by the Board of Directors ("Board") but may not exceed five years. Individual grants are limited to 5% of the issued and outstanding common shares, except in the case of consultants or those performing investor relation activities, whom are limited to 2% of the issued and outstanding common shares.

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

(d) Stock Options (continued)

The Board may set vesting limitations but is not required to under the stock option plan. The Board must set the exercise price of the options at least equal to the last share closing price for the common shares (market value) before the date of grant, less any applicable discount under the TSX Venture Exchange policy.

All stock options grants are evidenced through stock option agreements and ceasing to be a director, officer, employee or consultant terminates the stock options within 90 days.

The following table summarizes the status of the Company's stock option plans as at September 30, 2007:

	2007	
	Number of Shares	Average Exercise Price
Outstanding at beginning of year	6,285,665	$ 0.19
Issued	750,000	$ 0.20
Exercised	(125,000)	$ 0.13
Cancelled	(1,175,000)	$ 0.16
Outstanding at end of period	5,735,665	$ 0.20
Options exercisable at end of year	4,339,832	$ 0.20

The following table summarizes information about stock options outstanding at September 30, 2007:

Options Outstanding and Exercisable

Exercise Prices	Number Outstanding at September 30, 2007	Weighted Average Remaining Contractual Life	Weighted Average Exercise Prices	Number Exercisable at September 30, 2007	Weighted Average Exercise Prices
$ 0.20	750,000	4.6 Years	$ 0.20	187,500	$ 0.20
$ 0.21	1,475,000	3.9 Years	$ 0.21	641,667	$ 0.21
$ 0.13	2,300,000	3.0 Years	$ 0.13	2,300,000	$ 0.13
$ 0.37	20,000	1.9 Years	$ 0.37	20,000	$ 0.37
$ 0.24	125,000	2.6 Years	$ 0.24	125,000	$ 0.24
$ 0.40	50,000	2.4 Years	$ 0.40	50,000	$ 0.40
$ 0.45	575,000	0.9 Years	$ 0.45	575,000	$ 0.45
$ 0.15	440,665	0.4 Years	$ 0.15	440,665	$ 0.15
	5,735,665		$ 0.19	4,339,832	$ 0.20

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

(e) Warrants

As at September 30, 2007, the total warrants outstanding were 22,625,000. Each warrant is exercisable into one common share.

Currency	Exercise Price		Expiry Dates	Outstanding at December 31, 2006	Issued	Exercised	Expired	Outstanding at September 30, 2007
CDN	$	0.265	February 23, 2007	650,000	-	-	650,000	-
CDN	$	0.30	July 28, 2008	8,625,000	-	-	-	8,625,000
CDN	$	0.25	June 5, 2009	-	5,000,000	-	-	5,000,000
CDN	$	0.25	June 12, 2009	-	9,000,000	-	-	9,000,000
				9,275,000	14,000,000	-	650,000	22,625,000

(f) Contributed Surplus

Changes in the Company's contributed surplus were as follows:

	2007	2006
Balance - Beginning of period	$ 3,013,316	$ 1,631,552
Stock-based compensation expense for the year	141,503	122,417
Fair value of warrants issued on private placement	831,157	
Transfer to share capital upon exercise of options	(15,932)	
Balance - End of period	$ 3,970,044	$ 1,753,969

8. RELATED PARTY TRANSACTIONS

During the period ending September 30, 2007, the Company paid administrative expenses of $Nil (2006 - $22,500) to a company in which a director of the Company has a 25% interest.

At September 30, 2007, $13,462 of accounts receivable (2006 – $1,467) is due from related companies with common directors as a result of a cost sharing arrangement for office rent and operating expenses. Also included in accounts receivable at September 30, 2007 is $2,043 (2006 – $2,303) due from a related company in which a director has a 25% interest.

Included in accounts payable and accrued liabilities at September 30, 2007 is an amount of $Nil (2006 - $10,000) due to the Vice President - Administration of the Company for accrued salaries. Also included in accounts payable and accrued liabilities at September 30, 2007 is an amount of $132,611 (2006 – $63,843) due to a related company with common directors as a result of a cost sharing arrangement for office rent and operating expenses.

9. FINANCIAL INSTRUMENTS

The carrying values of cash, accounts receivable, marketable securities, long-term investments, accounts payable and accrued liabilities and long term notes as reflected in the balance sheet approximate their fair values. The Company has no significant concentrations of credit risk.

10. SEGMENTED INFORMATION

The Company operates in one industry. As at September 30, 2007, the Company's long lived assets were in Canada $9,205 (2006 - $876,604), Italy $33,379,300 (2006 - $26,606,255), and in Serbia $Nil (2006 - $21,908).

11. COMMITMENTS AND CONTINGENCIES

In late 2006 and early 2007 the Company refurbished and recommissioned the mill facilities and has commenced modest production of gold. During the nine months ended September 30, 2007 the Company processed approximately 100,000 tonnes of screened heap leach ore, which was crushed and placed in-circuit. The Company has poured approximately 2,500 ounces of gold. Through December 31, 2006 the Company had not generated revenue from metal sales from its Sardinian assets acquired in September 2004. The mining facilities and equipment have been idled since 2002 when the previous owners ceased operations due to uneconomic conditions. Funding of the continued maintenance of the idled mining assets and more recent restart activities has been solely through equity issued by the Company. As a result of a reduced ability to fund activities in Sardinia, SGM has been selective in paying creditors. SGM has a number of key suppliers on repayment programs for the older payables, which facilitates the delivery of current goods or services. Several of SGM's creditors have, however, sought legal remedies and have been successful in obtaining court orders enforcing payment. To date these orders total approximately 125,700 euros (exclusive of related legal fees and interest) and SGM has either paid the full amount owing or has negotiated a repayment schedule requiring payment over several months. While the Company does not know the exact amounts it is likely that other creditors will seek redress through the courts. SGM will continue to handle successful court orders as they arise and to manage its trade payables as it executes its restart strategy.

12. SUBSEQUENT EVENTS

(a) On October 26, 2007, the Company merged with Buffalo Gold Ltd. (TSX-V: BUF). All outstanding securities of the Company were exchanged for common shares and common share purchase warrants and options of Buffalo. Under the terms of the merger, shareholders of the Company received one common share, common share purchase warrant or option of Buffalo, as applicable, in exchange for each 3.5 the Company's common shares, common share purchase warrants or options which they hold immediately prior to the effective date of the merger. Following completion of the merger, the Company shareholders will hold approximately 25% equity ownership in the merged company.

(b) In November 2007 the Company sold its interest in the Lodestone Mountain property (note 4) for one dollar.