SARGOLD RESOURCE CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS

Form 51-102F1

For the period ending
September 30, 2007

Sargold Resource Corporation

General

The following Management's Discussion and Analysis ("MD&A") of Sargold Resource Corporation, (the "Company", "Sargold", "we", "us", "our") should be read in conjunction with the Company's audited consolidated financial statements and notes ("Consolidated Financial Statements") as well as the MD&A for the year ended December 31, 2006 both of which are available at the SEDAR website at www.sedar.com. This MD&A report is current as at November 28, 2007.

All financial information in this MD&A is prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and presented in Canadian dollars unless otherwise indicated.

Forward-Looking Statements

Certain statements contained in the following MD&A constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance of achievements of the Company to be materially different from actual future results and achievements expressed or implied by such forward-looking statements, which speak only as of the date the statements were made, and readers are also advised to consider such forward-looking statements while considering the risks set forth in the in the Risks and Uncertainties section of the Company's December 31, 2006 MD&A.

Description of Business

We are involved in precious and base metal exploration and development and have interests in properties located primarily in Italy. Our properties are in the exploratory and development stages and while owned by Sargold, through December 31, 2006 had been non-producing and consequently did not generate any revenue or positive cash flows from operations. In late 2006 and early 2007 the Company refurbished and recommissioned the mill facilities and has commenced modest production of gold and silver from low grade run-of-mine ore from the heap leach pad. The Company depends on equity capital to finance its activities.

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's shareholders hold approximately 25% equity ownership in the merged company.

Overview of Performance

Sardinia, Italy

In March 2003, the Company entered into an agreement with Gold Mines of Sardinia ("GMS PLC") to joint venture the Furtei gold mine property on the island of Sardinia, Italy. GMS PLC held an indirect 90% interest in Sardinia Gold Mining SpA ("SGM"), with the balance of 10%

owned by Progemisa SpA ("Progemisa"), a corporation owned by the Sardinian Government. This initial agreement provided the Company with an option to spend €15 million over an 8 year period to earn 50% of GMS PLC's working interest (equivalent to a 45% direct interest).

In February 2004, a wholly owned subsidiary of GMS PLC, into which substantially all of GMS PLC's' assets had been transferred, merged with Full Riches Investments Ltd., with the surviving entity being named Medoro Resources Ltd. ("Medoro").

On September 8, 2004, the Company reached an agreement with Medoro whereby the Company would purchase all the shares of Medoro's wholly owned subsidiary, Gold Mines of Sardinia Pty Ltd. ("GMS Pty"). Through purchasing GMS Pty, the Company acquired all Medoro's Sardinian mining assets except for the Monte Ollasteddu and Miniere di Pestarena concessions. The acquired mining assets include, through the purchase of 90% of SGM the current operating company, a 90% interest in the Furtei gold mine project, the advanced gold property at Osilo and other Sardinian concessions.

Consideration for the acquisition was: €6 million cash payable over 5 years (net present value of $6,867,609), $1 million common shares of the Company payable on August 30, 2009 (net present value of $547,878) and a net smelter return royalty ("NSR") of 2% on all production. During September 2004, the Company paid €500,000 (C$784,699) into escrow as a deposit to cover the initial payment of the share purchase agreement, which subsequently closed on October 20, 2004.

In May 2006, the Company and Medoro announced their intention to amend the existing share purchase agreement. Under the amended terms as set out in a letter of intent, Sargold would, on payment of €1.0 million, complete the purchase of the shares of GMS Pty with all remaining debts and the NSR being fully discharged. The letter of intent also included Sargold's acquisition from Medoro for €1.0 million, its 75% share ownership of SGM Ricerche SpA ("Ricerche"), the Italian company that holds the interests to the Monte Ollasteddu gold property. After completion of the definitive agreement and required regulatory approvals the transaction closed on August 22, 2006. Ricerche's interest in the Monte Ollasteddu property is subject to an option agreement with an indirect subsidiary of Gold Fields Limited (collectively "Gold Fields"). As a result of a reduction in the amount owing under the amended share purchase agreement, a non-cash gain of $5,725,118 was recognized.

In October 2006 the Company announced it had signed a letter of intent with Gold Fields (whereby the Company would acquire Gold Field's 15% interest in the Monte Ollasteddu property. In consideration for the purchase, the Company will issue to Gold Fields common shares with a value of $500,000 in three installments: one third on signing a formal agreement, based on a share price of $0.20 per share (833,333 shares), and one third on each of the first and second anniversaries of the closing date, 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. Gold Fields will retain a right to acquire an undivided 60% interest in the property, which could at their discretion be triggered when exploration work programs undertaken by Sargold on Monte Ollasteddu have defined a minimum National Instrument 43-101 compliant, measured and indicated resource estimate of 3.5 million ounces of gold. The new agreement supersedes the existing joint venture agreement, which was assumed when Sargold acquired the 75% interest in Ricerche from Medoro as announced on August 22, 2006. Following approvals by Gold Fields' Executive Committee, Sargold's Board of Directors and regulatory bodies, the definitive purchase agreement was completed on December 22, 2006. With the completion of this agreement, the Company holds a 90% interest in the Monte Ollasteddu property, with the remaining 10% held by Progemisa.

With the completion of these transactions the Company has consolidated all of the known gold properties on the island of Sardinia, Italy.

Furtei property

During the second quarter of 2006, the Company appointed Mr. George Paspalas to the position of Chairman of SGM. Since commencing his responsibilities Mr. Paspalas focused on determining whether and how the Furtei mine operation could be put back into profitable production. In the fourth quarter of 2006 the Company refurbished the Furtei processing plant, which had been decommissioned in 2002. For a marginal cost the refurbished plant was re-commissioned in late December and was fully water tested prior to the end of the year. Management worked to complete the below refurbishments at the plant before successfully obtaining a new cyanide usage permit in January 2007:

- Removing the old stockpile of low grade enargite sulphide ore
- Replacing/repairing mechanical and electrical components to get mill and leach tanks operational
- Clearing solid slurry from the pipelines of the compressed air system
- Confirming reliable operation of the process computer and logic control systems
- Realizing significant value from recovering activated carbon from around the CIL floor, sumps and spent ore left settled in the tanks – enough to carry through to 2008
- Fully testing the tailing disposal system and water distribution systems

Also during the fourth quarter, the team identified a potential opportunity to commence near-term gold production while they conducted various studies on the refractory ores at Furtei. The theory was based on upgrading the residual heap leach pad head grade by screening off the oversize material from the 450,000 tonnes of ore remaining on the heap leach pad. The oversize material would subsequently be processed through the CIL circuit after primary crushing and fine grinding.

A trial was conducted in the first quarter of 2007 to determine whether the head grade could be upgraded by screening. The trial was successful in this regard as well as in determining key unit operating costs, such as lime, cyanide and power consumptions. The assessment concluded it was economic to process screened oversize material from the heap leach pad at Furtei.

As part of the trial program, Sargold was pleased to pour its first gold bar at Furtei in early March 2007. While the production from this low grade material is modest, it marked the successful restart of the Furtei plant, where operational expertise is being re-honed and the future rehabilitation liability of the heap leach pad is being significantly reduced. Most importantly, the Company is beginning to generate revenue for the first time since its entry into Sardinia.

After pouring its first gold bar at Furtei in March 2007, the Company launched a near-term production plan based on processing the upgraded ore from the residual heap leach pad at the site. In the third quarter, the Furtei mine passed the milestone of 20,000 tonnes processed in one month, and has so far produced approximately 1,300 ounces of gold (including in-circuit inventory) and a comparable amount of silver.

While the current production is relatively small-scale, based on metallurgical testwork, internal studies and results to date, the Company is now targeting to commence annual production of 15,000 – 20,000 ounces of gold from the Sa Perrima gold zone within the next 12 months. Test mining at the Sa Perrima pit started in July. The Company then plans to ramp up production by producing from the Su Coru underground zone, which is a gold-copper hosted mineralization.

For longer term production options Sargold has been conducting a broad suite of metallurgical testwork to determine the best approach to processing the sulphide refractory ore contained at Furtei. The objective of the testwork is to define a business plan that will realize profitable and sustainable processing of both pyrite-hosted gold and enargite-hosted copper and gold, both of which comprise the majority of the existing resources at Furtei. Historical processing of these ores has proven problematic and stalled exploration work on the property, particularly at depth.

The Company received promising test results from an atmospheric leach process, the Intec Copper and Gold Process, which has obtained metal recoveries of 90% or better utilizing a halide solution to oxidize the sulphides. This method does not require high temperatures and pressures, and can be carried out using typical chemical processing equipment. The continued success of this process will provide for the production of saleable gold and copper at Furtei, eliminating the refractory limitation of the enargite ore, and providing enhanced economics due to minimal transport, smelting and refining charges compared with traditional sulphide concentrate production.

The Intec Copper and Gold Process has demonstrated that enargite ore can be recovered with potential economic viability. If successful, this will allow the Company to explore several target areas at Furtei and other properties on the island that have enargite hosted mineralization. Testwork will continue to optimize the leaching process, as well as determine individual orebody responses to the Intec. (A feasibility study has not been completed and there is no certainty that the Company's proposed operations will be economically viable.)

Sargold sees the restart at Furtei as a way to generate cash flow to facilitate the funding of our exploration programs at Furtei, Osilo and Monte Ollasteddu. As we move forward, our priorities continue to be focused around community engagement, in an effort to obtain the required permits to conduct a comprehensive drill program at Osilo and Monte Ollasteddu.

On April 30, 2007, the Company announced the appointment of Monty Reed to the position of Chairman, SGM and Senior Vice-President & Chief Operating Officer of Sargold. Mr. Reed relocated to Sardinia in June to lead the team at the Furtei mine in developing the long-term production strategy.

Monty Reed has worked in mining for more than 29 years, most recently managing IAMGOLD’s Rosebel Gold Mine in Suriname, South America. As Mine Superintendent, he led his team to surpass the feasibility-study production rate after completing construction and pre-stripping on time and on budget. Mr. Reed has spent the last decade in senior leadership roles at a number of significant gold projects around the world, including six years with Placer Dome in similar roles at the La Coipa mine in Chile; on project start-up and the Staged Development Feasibility Study for the Las Cristinas gold project in Venezuela; and leading the Production, Mine Maintenance and Engineering departments at the Golden Sunlight mine in the United States. His background comprises many aspects of the mining industry, including exploration, mine development, mine start-up, engineering, sales, production, and maintenance supervision.

In the same announcement, Sargold also reported that George Paspalas would be stepping down from his role as President, Chief Operating Officer and Director of Sargold. With the addition of Monty Reed in Sardinia, Chairman and CEO Richard Warke took over the role of President of the Company.

As of September 30, 2007, the Company has deferred $6,241,927 in work program expenditures, related to the Furtei gold mine property. The Company has capitalized a total of $16,207,956 for mineral property costs for the Furtei property. Additionally, $4,730,000 has been capitalized to record the tax gross-up related to the acquisition.

Osilo & Monte Ollasteddu exploration properties.

If it can be profitably sustained, Sargold sees the restart at Furtei as a way to generate operating cash flow to facilitate our exploration programs at Furtei, Osilo and Monte Ollasteddu. As we move forward, our priorities continue to be focused around community engagement, in an effort to obtain the required permits to conduct a comprehensive drill program at Osilo and Monte Ollasteddu.

The Osilo property is considered prospective based on prior exploration results. The Osilo property contains a low sulphidation epithermal quartz vein system, which was subject to an "In Situ Resource Audit" report by Steffen, Robertson & Kirsten (UK) Ltd. in April 2003. The report estimates the property contains a "Historical" Indicated Mineral Resource of 0.80 million tonnes ("MT") grading 6.5 grams of gold per tonne ("g/Au/T") and 38.2 grams of silver per tonne ("g/Ag/T") and an Inferred Mineral Resource of 0.86 MT grading 7.5 g/Au/T and 21.8 g/Ag/T. The Company has not completed the work necessary to verify the classification of the resource and is not treating the resource figures as National Instrument 43-101 defined resource verified by a Qualified Person and therefore the resource figures should not be relied upon by investors. The historical resources have been calculated from 5 vein systems. More than 20 vein systems have been identified.

In 2006, the Company had submitted to the Sardinian Regional Authorities permit applications to commence a drill program on the Osilo property. In February 2007, the Osilo Commune passed a resolution opposing Sargold's application to drill at the Company's Osilo exploration property. All communes in Sardinia must make development decisions conforming to an Urban Communal Plan ("UCP"), which is a process that defines urban development. The Osilo Commune did not reference their decision opposing a drill program at Osilo to their UCP. As a result, Sargold is now entering into an appeal process with the Administrative Regional Tribunal, calling for substantive reasons why the Company should not be permitted to commence drilling. In the event that the Commune is successful the Company will maintain ownership of the property and continue to work with the local community to secure support for the exploration of this property.

The Monte Ollasteddu property is a large mineralized system lying within a 50 kilometer geological belt in the Eastern Paleozoic Belt. Monte Ollasteddu has excellent potential for discovery of a gold resource, with more than 20 gold prospects identified in the region. A portion of the Monte Ollasteddu property is in close proximity to an Italian military base. The Company continues to negotiate with the Italian military on gaining access to the property for drilling purposes. Sargold is also looking into developing alternative drill programs for other areas of the property lying further away from the military base. Interest in the Monte Ollasteddu property is comprised of research permits for the three tenements: Funtana Su Cardosu, Monte Ollasteddu and Mulfone Langius, which together total 1,572 hectares.

Following the two transactions related to Ricerche, which were completed in 2006 the Company has capitalized a total of $1,913,245 for mineral property costs for Monte Ollasteddu. Additionally, $1,074,352 has been capitalized to record the tax gross-up related to the acquisitions.

Lodestone Mountain Property, British Columbia, Canada

In March 2003, Sargold reached an agreement to purchase a 100% working interest in the Lodestone Mountain property. The property is located 17 km, accessible by road, from Coalmont, B.C. The Company purchased the Lodestone Mountain property by purchasing 100% of the shares of 651030 B.C. Ltd ("651030"). The terms of the acquisition included the issuance of 3,166,666 common shares (issued September 2, 2003, for total consideration of $468,666, of which 1,971,859 shares are subject to certain escrow provisions) and 3,000,000 share purchase warrants exercisable into common shares at a price of $0.20 per share (subject to certain vesting provisions) at a deemed value of $120,000, which expired September 1, 2006, cash payments of $100,000 with the vendor retaining a 5% gross overriding royalty on all ferrous metals produced, and a 2% NSR on all other minerals produced.

We completed a 15-hole diamond drill program aggregating 1,069 meters of core in early 2004. All holes encountered the magnetite rich hornblende clinopyroxenite unit. A revised resource calculation based on the results from the drill program defined a measured resource of 2 million tonnes grading 24.33% magnetite, as reported by Nils von Fersen P. Geo. in his report dated May 4, 2004.

The Company has determined the Lodestone Mountain property is not economically viable and in the third quarter wrote off $175,409 of deferred expenditures and $959,039 of mineral property costs. In November 2007, the Company sold the Lodestone Mountain property for one dollar.

Serbian Properties

The Company has decided not to continue research into several properties in Serbia and wrote off deferred property costs of $36,512 during the second quarter. No formal agreements had been entered into regarding sites in Serbia nor had negotiations been finalized.

Mineral properties and deferred costs are comprised of:

	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.

Results of Operations

Comparison of the nine months ending September 30, 2007 and 2006

	Nine months ended September 30		
	2007	2006	Change
MINING REVENUES	$ 1,130,540	$ -	$ 1,130,540
EXPENSES			
Salaries and benefits	1,871,552	979,326	(892,226)
Raw materials and consumables	1,235,225	128,638	(1,106,587)
Power	558,652	-	(558,652)
Amortization	529,242	2,212	(527,030)
Consulting and communication	602,741	328,636	(274,105)
Office and sundry	208,267	273,202	64,935
Stock based compensation	141,503	65,989	(75,514)
Accounting and audit	85,226	53,030	(32,196)
Rent	76,387	92,732	16,345
Write-off of resource property	1,171,119	-	(1,171,119)
Filing and regulatory	35,281	40,034	4,753
Travel	47,359	49,513	2,154
Investor relations	17,750	5,390	(12,360)
Legal fees	48,166	5,512	(42,654)
Foreign exchange loss (gain)	(2,907,695)	436,606	3,344,301
Capital projects	-	(92,810)	(92,810)
Administration	-	22,500	22,500
	3,720,775	2,390,510	(1,330,265)
Earnings (Loss) from operations	(2,590,235)	(2,390,510)	(199,725)
Interest and other income	56,566	141,145	(84,579)
Gain on disposition of marketable securities	-	636,686	(636,686)
Gain on repayment of debt	-	5,637,738	(5,637,738)
Interest and finance charges	(218,719)	(500,819)	282,100
NET EARNINGS / (LOSS)	$ (2,752,388)	$ 3,524,240	$ (6,276,628)

The net loss for the period was $2,752,388 ($0.02 loss per share), compared to net earnings of $3,524,240 reported for the period ending September 30, 2006. The change is primarily due to the re-negotiation of the Medoro share purchase agreement which gave rise to a gain of $5,637,738 on the elimination of the outstanding long-term debt payable to Medoro and the gain on the sale of marketable securities in 2006. As well, in 2007 the Company incurred higher operating costs due to the start up of the Furtei mine operations.

The more significant variances for the nine-month period include:

- Mining revenue of $1,130,540 recognized on the initial sales from the restart of the Furtei mine.
- An increase in salaries and benefits of $892,226 reflecting the ramp up of staff in Italy to facilitate the restart of the Furtei mine operations as well as higher expense in Vancouver due to the increase in Corporate personnel which occurred in mid 2006.
- An increase in power costs (due to higher consumption) of $558,652 incurred by SGM as efforts related to the restart became more focused and inventory was produced.
- The $1,106,587 incurred in raw material and consumables are a direct cost of maintaining and operating the mill, including the processing of the heap leach ore and the general ramp up of operations.
- Stock-based compensation is $75,514 higher in the current period reflecting options granted during the second quarter with some immediately vesting and for stock options granted late in the second and third quarter of 2006 where the majority of the options granted vest over either a 2 or 3 year period. No options were granted in the first quarter of 2006.
- Amortization expense increased $527,030 over the comparable period in 2006 due to the amortization of capital assets utilized in the start up of the Furtei mine.
- Increased costs during the period for the start up of operations were fully offset by the exchange gain on translation recognized. The exchange gain compared to the loss in 2006 was $3,344,301 favourable due to positive movement in the Canadian dollar/Euro rates in the second quarter of 2007. During the nine months ended September 30, 2006, the strengthening of the Euro gave rise to the significant exchange loss as the net monetary liability was increased.
- The write off of the Lodestone Mountain and Serbian mineral properties costs totalled $1,171,119 in 2007

Interest and finance charges have decreased $282,100. The interest charges in 2006 are comprised of non-cash accretion interest on long-term notes to Medoro, which as a result of the re-negotiation of the purchase agreement were redeemed in August 2006. Interest and finance charges during the nine months ended September 30, 2007 primarily consist of imputed interest on the capital leasing of the jumbo drill, the non-cash accretion interest on the long-term obligation to Gold Fields Limited and the accrual of interest on certain of the outstanding obligations owing by SGM.

Comparison of the three months ending June 30, 2007 and 2006

	Three Months Ended September 30		
	2007	2006	Change
MINING REVENUES	$ 548,887	$ -	$ 548,887
EXPENSES			
Salaries and benefits	721,263	329,505	(391,758)
Raw materials and consumables	695,567	20,767	(674,800)
Power	262,144	-	(262,144)
Amortization	244,598	500	(244,098)
Consulting and communication	348,271	107,286	(240,985)
Office and sundry	54,034	99,948	45,914
Stock based compensation	44,669	43,488	(1,181)
Accounting and audit	25,900	1,076	(24,824)
Rent	26,623	27,905	1,282
Write-off of resource property	1,134,607	-	(1,134,607)
Filing and regulatory	7,171	7,901	730
Travel	24,299	4,948	(19,351)
Investor relations	2,086	-	(2,086)
Legal fees	46,586	2,784	(43,802)
Foreign exchange loss (gain)	(1,486,052)	(17,140)	1,468,912
Capital projects	-	(34,938)	(34,938)
Administration	-	7,500	7,500
	2,151,766	601,530	(1,550,236)
Earnings (Loss) from operations	(1,602,879)	(601,530)	(1,001,349)
Interest and other income	37,207	13,532	23,675
Gain on disposition of marketable securities	-	617,420	(617,420)
Gain on repayment of debt	-	5,637,738	(5,637,738)
Interest and finance charges	(71,510)	(135,354)	63,844
NET EARNINGS (LOSS)	$ (1,637,182)	$ 5,531,806	$ (7,168,988)

During the three months ended September 30, 2007, the Company incurred a net loss $1,637,182 compared to net earnings of $5,531,806 in the third quarter of 2006. The unfavourable change was due the re-negotiation of the Medoro share purchase agreement which gave rise to a gain of $5,637,738 on the elimination of the outstanding long-term debt payable to Medoro and the gain on the sale of marketable securities in 2006. As well, in 2007 the Company incurred higher operating costs due to the start up of the Furtei mine operations.

Interest and finance charges have decreased $63,844. The interest charges in 2006 are comprised of non-cash accretion interest on long-term notes to Medoro, which as a result of the re-negotiation of the purchase agreement were redeemed in August 2006. Interest and finance charges during the three months ended September 30, 2007 primarily consist of imputed interest on the capital leasing of the jumbo drill, the non-cash accretion interest on the long-term obligation to Gold Fields Limited and the accrual of interest on certain of the outstanding obligations owing by SGM

Summary of Quarterly Results

(1) Selected financial information for each of the eight most recently completed quarters are as follows: September 30, 2006 the net earnings per share diluted was $0.10.

	Revenue	Net earnings (loss)	Net earning (loss) per share basic & diluted
Sep 2007	$ 548,887	$ (1,637,182)	$ (0.02)
Jun 2007	$ 312,491	$ 32,083	$ -
Mar 2007	Nil	$ (1,147,289)	$ (0.02)
Dec 2006	Nil	$ (2,823,203)	$ (0.05)
Sep 2006	Nil	$ 5,531,806	$ 0.11 (1)
Jun 2006	Nil	$ (799,598)	$ (0.02)
Mar 2006	Nil	$ (1,207,968)	$ (0.03)
Dec 2005	Nil	$ 1,721,139	$ 0.04
Sep 2005	Nil	$ (195,187)	$ -

Liquidity

Sargold's mineral exploration and development activities have provided the Company with limited sources of income, a history of losses, limited capital resources and an accumulated deficit of $10,689,305 as at September 30, 2007. Through September 30, 2007 the Company has generated limited 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 until the restart of the Furtei mine operation in early 2007. Funding of the continued maintenance of the idled mining assets and more recent restart activities, has been solely through equity issued by Sargold. 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 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. The Company will also be required to make payments to the Sardinian Regional Financial Institute as the initial advance and accrued interest totalling $787,341 (€555,448) related to a Sardinian government grant that must be repaid. At this time the repayment schedule has not been finalized. SGM will continue to handle successful court orders as they arise and to manage its trade payables as it executes its restart strategy.

With the cessation of mining activity and the laying off of a significant portion of the work force, at the end of 2004 the Company applied for participation in an unemployment benefit program with the federal government. This was initially just for 2005 but was later extended to 2006 and 2007. The formal process mandates the submission of a plan and includes certain reemployment requirements, which must formally be accepted and acknowledged in writing by the government. In July 2007, the Company received formal approval for the 2005 and 2006 programs. As the Company has received verbal assurance of acceptance in the program for 2007, the amount of the expected benefit for 2007 has been offset against social security contributions due. The amounts offset over the period totals € 51,117 ($72,413). While the Company has received indications that it has qualified for the program there is a remote chance that the application will be denied.

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.

As at September 30, 2007, the Company had cash of $300,110 and a working capital deficit of $2,721,112. The current working capital deficit may, if the Company is successful, be addressed in the current fiscal year through the Company negotiating deferred payment arrangements and/or through the successful execution of a mining plan for the Furtei operations.

The Company has $17,193,038 in long-term liabilities as at September 30, 2007. The liabilities include future income taxes of $5,547,433, long-term notes to Progemisa for $7,443,545 and other long-term obligations totaling $4,202,060. The Company's long-term liabilities are primarily denominated in Euros. In addition the majority of the current liabilities are denominated in Euros. Fluctuations in the Euro/Canadian dollar exchange rate can materially affect the recorded net monetary liabilities recorded and ultimately the amount paid in Canadian dollars.

Capital Resources

The Company's primary assets are mineral properties and mining facilities, which are discussed in detail in the Overview of Performance section of this MD&A. We will require additional capital to fund our business plans for the Sardinian mining assets which includes funds for mining facilities improvements/expansion, development of open pit and underground ore bodies and exploration at the Furtei property and the advanced gold exploration properties at Osilo and Monte Ollasteddu. At this time the Company has not determined the full costs related to these activities or whether the operations can, in fact, be profitably operated.

In addition to generating cash from the sale of gold from the heap leach material, the Company will be seeking financing from the equity and potentially debt markets, potential joint ventures partners and any other available sources. These operating plans have not been finalized and, at this time, it is not known whether an economically viable business plan will be developed.

The Company historically has relied upon equity subscriptions to satisfy its capital requirements. The Company will continue to depend upon equity capital to finance its activities. There are no assurances that the Company's capital requirements will be met by this or any other means of financing as inherent risks are attached therein including commodity prices, production costs, development of a successful mining strategy to recover the precious and base metals, financial market conditions, and general economic factors. Management continues with its efforts to develop an economically viable mine plan and to secure additional financing arrangements for the Company and the support of its creditors.

Off Balance-Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

Transactions with Related Parties

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

Changes in Accounting Policies including Initial Adoption

The Canadian Institute of Chartered Accountants ("CICA") has issued the following new Handbook Sections, which were effective for interim periods beginning on or after October 1, 2006:

i) Section 3855, "Financial Instruments – Recognition and Measurement", describes the standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. All financial assets, except for those classified as held-to-maturity, loans and receivables, and derivative financial instruments are measured at their fair values. All financial liabilities are measured at their fair values when they are classified as held for trading purposes. Otherwise, they are measured at their carrying value. The impact of the adoption of this new section did not have a significant effect on the consolidated financial statements.

ii) Section 1530, "Comprehensive Income", and Section 3251, "Equity". Comprehensive income is the change in equity of an enterprise during a period arising from transactions and other events and circumstances from non-owner sources. It includes items that would normally not be included in net income such as changes in the foreign currency translation adjustment relating to self-sustaining foreign operations and unrealized gains or losses on available-for-sale financial instruments. This section describes how to report and disclose comprehensive income and its components. Section 3251, 'Equity", replaces Section 3250, "Surplus", and establishes standards for the presentation of equity and changes in equity as a result of the new requirements of Section1530, "Comprehensive Income." The impact of the adoption of this new section did not have a significant effect on the consolidated financial statements.

Financial Instruments and Other Instruments

The carrying values of cash, accounts receivable, 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.

Share Capital Information

As at the date of this report, following the merger with Buffalo, the shareholders of Sargold own 21,597,976 common shares in the merged company. Stock option holders will be granted options to purchase 1,638,762 common shares of the merged company and warrant holders will be granted warrants to purchase 6,492,858 common shares of the merged company.