

**SAGE GOLD INC.**

**NOTICE OF THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that an annual and special meeting (the "Meeting") of the shareholders of Sage Gold Inc. (the "Company") will be held at The National Club, 303 Bay Street, Tudor Room, Toronto, Ontario, M5H 2R1 on Thursday, March 22, 2007, at 12:00 p.m. (Toronto time), for the following purposes:

1. To receive and consider the audited consolidated financial statements of the Company for the years ended September 30, 2006 and 2005 and the reports of the auditors thereon;
2. To elect directors of the Company for the ensuing year;
3. To appoint BDO Dunwoody LLP, Chartered Accountants, as auditors of the Company for the ensuing year and to authorize the directors to fix their remuneration;
4. To consider and, if deemed appropriate, to pass, with or without variation, a resolution re-approving the 2005 Incentive Stock Option Plan as more particularly described in the accompanying Information Circular; and
5. To transact such other business as may properly come before the Meeting or any adjournment or adjournments thereof.

The accompanying Information Circular provides additional information with respect to the matters to be considered at the Meeting and forms part of this notice of Meeting.

Shareholders of the Company are invited to attend the Meeting. Shareholders of record at the close of business on February 7, 2007 will be entitled to vote at the Meeting.

Regardless of whether or not you are able to be present at the Meeting, please date, sign and return the form of proxy accompanying this notice of Meeting. To be effective, forms of proxy must be received by Equity Transfer & Trust Company, Suite 400, 200 University Ave, Toronto, Ontario, M5H 4H1 prior to 4:30 p.m. (Toronto time) on March 20, 2007, being the second to last business day preceding the date of the Meeting (or the second last business day before any adjournment thereof).

**DATED** at Toronto, Ontario as of the 8<sup>th</sup> day of February, 2007.

**BY ORDER OF THE BOARD OF DIRECTORS**

*(signed) "C. Nigel Lees"*

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**C. Nigel Lees**  
**President, Chief Executive Officer and Director**

**SAGE GOLD INC.**

**MANAGEMENT INFORMATION CIRCULAR**

**DATED FEBRUARY 8<sup>TH</sup> 2007**

**GENERAL PROXY INFORMATION**

**Solicitation of Proxies**

This management information circular is furnished in connection with the solicitation of proxies by the management of Sage Gold Inc. (the "Company") for use at the annual and special meeting of the shareholders of the Company to be held on Thursday, March 22, 2007 (the "Meeting"). References in this management information circular to the Meeting include any adjournment or adjournments thereof. It is expected that the solicitation will be primarily by mail, however, proxies may also be solicited personally by regular employees of the Company and the Company may use the services of an outside proxy solicitation agency to solicit proxies. The cost of solicitation will be borne by the Company.

The board of directors of the Company (the "Board") has fixed the close of business on February 7, 2007 as the record date, being the date for the determination of the registered holders of securities entitled to receive notice of the Meeting. Duly completed and executed proxies must be received by the Company's transfer agent at the address indicated on the enclosed envelope no later than 4:30 p.m. on the second business day preceding the Meeting or any adjournment thereof.

Unless otherwise stated, the information contained in this management information circular is as of February 8<sup>th</sup>, 2007.

**Appointment and Revocation of Proxies**

The persons named in the enclosed form of proxy are officers and/or directors of the Company. **A shareholder desiring to appoint some other person, who need not be a shareholder, to represent him at the Meeting, may do so by inserting such person's name in the blank space provided in the enclosed form of proxy or by completing another proper form of proxy and, in either case, depositing the completed and executed proxy at the office of the Company's transfer agent indicated on the enclosed envelope no later than 4:30 p.m. (Toronto time) on March 20, 2007.**

A shareholder forwarding the enclosed proxy may indicate the manner in which the appointee is to vote with respect to any specific item by checking the appropriate space. If the shareholder giving the proxy wishes to confer a discretionary authority with respect to any item of business, then the space opposite the item is to be left blank. The shares represented by the proxy submitted by a shareholder will be voted in accordance with the directions, if any, given in the proxy.

A proxy given pursuant to this solicitation may be revoked by an instrument in writing executed by a shareholder or by a shareholder's attorney authorized in writing (or, if the shareholder is a corporation, by a duly authorized officer or attorney) and deposited either at the registered office of the Company, or at the offices of Equity Transfer & Trust Company, 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1 at any time up to and including the last business day preceding the day of the Meeting or with the Chairman of the Meeting on the day of the Meeting or in any other manner permitted by law.

**Exercise of Discretion by Proxies**

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. In the absence of such direction, such shares will be voted in favour of the passing of all of the resolutions described below. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to

amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the time of printing of this management information circular, management knows of no such amendments, variations or other matters to come before the Meeting. However, if any other matters that are not now known to management should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxies.

### **Voting by Non-Registered Shareholders**

Only registered shareholders of the Company or the persons they appoint as their proxies are permitted to vote at the Meeting. Most shareholders of the Company are “non-registered” shareholders (“Non-Registered Shareholders”) because the shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the shares. Shares beneficially owned by a Non-Registered Shareholder are registered either: (i) in the name of an intermediary (an “Intermediary”) that the Non-Registered Shareholder deals with in respect of the shares of the Company (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees); or (ii) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc.) of which the Intermediary is a participant. In accordance with applicable securities law requirements, the Company will have distributed copies of the Notice of Meeting, this management information circular and the form of proxy and the request form (collectively, the “Meeting Materials”) to the clearing agencies and Intermediaries for distribution to Non-Registered Shareholders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders unless a Non-Registered Shareholder has waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to Non-Registered Shareholders. Generally, Non-Registered Shareholders who have not waived the right to receive Meeting Materials will either:

- (i) be given a voting instruction form which is not signed by the Intermediary and which, when properly completed and signed by the Non-Registered Shareholder and returned to the Intermediary or its service company, will constitute voting instructions (often called a “voting instruction form”) which the Intermediary must follow. Typically, the voting instruction form will consist of a one page pre-printed form. Sometimes, instead of the one page pre-printed form, the voting instruction form will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label with a bar-code and other information. In order for the form of proxy to validly constitute a voting instruction form, the Non-Registered Shareholder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company; or
- (ii) be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of shares beneficially owned by the Non-Registered Shareholder but which is otherwise not completed by the Intermediary. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Shareholder when submitting the proxy. In this case, the Non-Registered Shareholder who wishes to submit a proxy should properly complete the form of proxy and **deposit it with the Company, c/o Equity Transfer & Trust Company, 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1.**

In either case, the purpose of these procedures is to permit Non-Registered Shareholders to direct the voting of the shares of the Company they beneficially own. Should a Non-Registered Shareholder who receives one of the above forms wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Shareholder), the Non-Registered Shareholder should strike out the persons named in the form of proxy and insert the Non-Registered Shareholder or such other person's

name in the blank space provided. In either case, Non-Registered Shareholders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or voting instruction form is to be delivered.

A Non-Registered Shareholder may revoke a voting instruction form or a waiver of the right to receive Meeting Materials and to vote which has been given to an Intermediary at any time by written notice to the Intermediary provided that an Intermediary is not required to act on a revocation of a voting instruction form or of a waiver of the right to receive Meeting Materials and to vote which is not received by the Intermediary at least seven (7) days prior to the Meeting.

**Interest of Certain Persons in Matters to be Acted Upon**

No:

- (a) director or executive officer of the Company who has held such position at any time since the beginning of the Company's last financial year;
- (b) proposed nominee for election as a director of the Company; or
- (c) associate or affiliate of a person in (a) or (b);

has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, other than the election of directors, the appointment of auditors and the re-approval of the 2005 Incentive Stock Option Plan, unless otherwise described herein.

**Voting Securities and Principal Holders Thereof**

As of the date hereof, 78,876,959 common shares (the "Common Shares") in the capital of the Company are issued and outstanding. Each Common Share entitles the holder thereof to one vote on all matters to be acted upon at the Meeting. The record date for the determination of shareholders entitled to receive notice of the Meeting has been fixed at February 7, 2007. In accordance with the provisions of the *Business Corporations Act* (Ontario), the Company will prepare a list of holders of Common Shares as of such record date. Each holder of Common Shares named in the list will be entitled to vote the shares shown opposite his or her name on the list at the Meeting, except to the extent that (a) the shareholder has transferred any of his or her shares after the record date, and (b) the transferee of those shares produces properly endorsed share certificates or otherwise establishes that he or she owns such shares and demands not later than ten (10) days prior to the Meeting that his or her name be included in the list before the Meeting, in which case the transferee is entitled to vote his or her shares at the Meeting. All such holders of record of Common Shares are entitled either to attend and vote thereat in person the Common Shares held by them or, provided a completed and executed proxy shall have been delivered to the Company's transfer agent within the time specified in the attached Notice of Meeting, to attend and vote thereat by proxy the Common Shares held by them.

To the knowledge of the directors and executive officers of the Company, as of the date hereof, no person or company beneficially owns, directly or indirectly, or exercises control or direction over voting securities of the Company carrying more than 10% of the voting rights attached to any class of voting securities of the Company.

## Statement of Executive Compensation

The following table provides information for the three financial years ended September 30, 2006, 2005 and 2004 regarding compensation paid to or earned by the Company's Chairman, Chief Executive Officer and Chief Financial Officer as at September 30 (the "Named Executive Officers"). No other executive officer of the Company received salary or bonuses from the Company aggregating in excess of \$150,000 for the financial year ended September 30, 2006.

### Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Securities Under Options/SARs Granted (#)	Shares or Units Subject to Resale Restrictions (\$)	LTIP Payouts (\$)	
C. Nigel Lees, President and CEO	2006	Nil	\$20,000	\$132,000	800,000	Nil	Nil	Nil
	2005	Nil	Nil	\$113,000	560,000	Nil	Nil	Nil
	2004	N/A	N/A	\$68,500	440,000 <sup>(1)</sup>	Nil	Nil	Nil
Patrick J. Mars, Chairman, Former President and CEO	2006	Nil	Nil	\$42,000	350,000	Nil	Nil	Nil
	2005	Nil	Nil	\$42,000	220,000	Nil	Nil	Nil
	2004	Nil	Nil	\$34,500	280,000 <sup>(1)</sup>	Nil	Nil	Nil
Art Hampson, CFO <sup>(2)</sup>	2006	Nil	Nil	\$22,550	100,000	Nil	Nil	Nil
	2005	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2004	N/A	N/A	N/A	N/A	N/A	N/A	N/A
William Love, Former CFO <sup>(2)</sup>	2006	Nil	\$14,000	\$79,500	600,000	Nil	Nil	Nil
	2005	Nil	Nil	47,500	300,000	Nil	Nil	Nil
	2004	N/A	N/A	N/A	N/A	N/A	N/A	N/A

<sup>(1)</sup> Number of stock options listed are on a post consolidated basis pursuant to the consolidation of the Company's common shares on the basis of 25 pre-consolidated common shares for every one post consolidated common share, such consolidation having been approved by the Company's shareholders on January 14, 2005.

<sup>(2)</sup> Mr. Love resigned as CFO on April 26, 2006 and Mr. Hampson was appointed CFO April 26, 2006.

**Stock Options**

The following table provides details of stock options granted to the Named Executive Officers during the financial year ended September 30, 2006.

**Option/SAR Grants**

<b>Name</b>	<b>Securities Under Options/SARs Granted (#)</b>	<b>% of Total Options/SARs Granted to Employees in Financial Year <sup>(1)</sup></b>	<b>Exercise or Base Price (Cdn.\$/Security)</b>	<b>Closing Price Market Value of Securities Underlying Options/SARs on the Date of Grant (Cdn.\$/Security)</b>	<b>Expiration Date</b>
C. Nigel Lees	285,000	24.6%	\$0.17	\$0.17	January 27,2011
	515,000	22.2%	\$0.14	\$0.14	May 29, 2011
Patrick J. Mars	150,000	13.0%	\$0.17	\$0.17	January 27,2011
	200,000	8.6%	\$0.14	\$0.14	May 29, 2011
William Love	200,000	17.4%	\$0.17	\$0.17	January 27,2011
	400,000	17.3%	\$0.14	\$0.14	May 29, 2011
Art Hampson	100,000	4.3%	\$0.14	\$0.14	May 29, 2011

<sup>(1)</sup> Based on the total number of options granted to directors, officers, employees and consultants of the Company during the financial year ended September 30, 2006.

The following table provides details regarding stock options exercised by the Named Executive Officers during the financial year ended September 30, 2006 and year-end option values.

**Aggregated Option/SAR Exercises during 2006 and Year-End Option/SAR Values**

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Vesting Provision Unexercised Options/SARs at September 30, 2006		Value of Unexercised in-the-money Options/SARs at September 30, 2006 <sup>(1)</sup>	
			Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable (\$)
C. Nigel Lees	Nil	Nil	800,000	Nil	Nil	Nil
			560,000	Nil	\$19,600	Nil
			440,000 <sup>(2)</sup>	Nil	Nil	Nil
Patrick J. Mars	Nil	Nil	350,000	Nil	Nil	Nil
			220,000	Nil	\$7,700	Nil
			280,000 <sup>(2)</sup>	Nil	Nil	Nil
William Love	Nil	Nil	600,000	Nil	Nil	Nil
			300,000	Nil	\$10,500	Nil
Art Hampson	Nil	Nil	100,000	Nil	Nil	Nil

<sup>(1)</sup> Calculated using the closing price of the Common Shares on the TSXV on September 29, 2006 of \$0.135 per share.

<sup>(2)</sup> Number of stock options listed are on a post consolidated basis pursuant to the consolidation of the Company's common shares on the basis of 25 pre-consolidated common shares for every one post consolidated common share, such consolidation having been approved by the Company's shareholders on January 14, 2005.

**Employment Agreements**

Except as disclosed herein, the Company does not have any employment agreement or similar arrangement with the Named Executive Officers or any arrangements whereby any of the Named Executive Officers would receive in excess of \$100,000 as a result of their resignation, retirement or any other termination of employment, a change of control of the Company or a change in the Named Executive Officer's responsibilities following a change of control of the Company.

On January 31, 2006, Mr. Lees and Mr. Love each entered into an employment agreement with the Company effective January 1, 2006. Mr. Lees will be paid a base salary of Cdn\$150,000 per year for an initial three year period, with such agreement automatically renewed for successive three year terms and Mr. Love will be paid a base salary of Cdn\$90,000 per year for an initial one year period, with such agreement automatically renewed for successive one year periods. Mr. Lees and Mr. Love will each be entitled to participate in any stock option plan offered by the Company and to participate in or receive benefits under any pension and/or benefits plan made available to similar situated employees.

Each of the agreements is terminable by the employee upon written notice to the Company. Each agreement provides that if the employee is terminated by the Company without cause, he is entitled to an amount equal to one times, in the case of Mr. Love and two times, in the case of Mr. Lees, the sum of his annual salary and bonus or other similar compensation to which the employee would otherwise be entitled, of which one-half shall be paid in a lump sum within 10 days of the employee's termination and one half shall be paid during the one year period beginning on the date of the employees' termination and is to be paid in the same manner and at the same time as his base salary would have been paid if the employee had remained in active employment until the end of such period. In the event of a "change of

control” as defined therein, each of Mr. Lees and Mr. Love will receive payments and benefits similar to those provided if they are terminated without cause, except the payment will be paid in one lump sum.

### **Compensation of Directors**

#### *Standard Compensation Arrangements*

During the financial year ended September 30, 2006, each of the three non-executive directors was paid \$11,250 for acting as director of the Company (\$15,000 payable annually, in equal instalments per quarter). In addition to this remuneration, options were granted to the directors to acquire an aggregate of 850,000 Common Shares under the Company’s 2005 Incentive Stock Option Plan. Other than as disclosed in this Information Circular no other fees were paid to the three (3) non-executive directors of the Company for their services in their capacity as directors.

#### *Other Arrangements*

None of the directors of the Company were compensated in their capacity as a director by the Company and its subsidiaries during the financial year ended September 30, 2006 pursuant to any other arrangement or in lieu of any standard compensation arrangement, other than the above.

#### *Compensation for Services*

During the financial year ended September 30, 2006, management and consulting expenses in the amount of \$273,333 were paid to officers or a corporation whose shareholder is a director or officer of the Company.

### **Directors’ and Officers’ Liability Insurance**

The Company has purchased, effective December 1, 2006, for the benefit of the Company and its directors and officers, insurance against liability incurred by the directors or officers in their capacity as directors or officers of the Company. The following are particulars of such insurance:

- (a) the total amount of insurance is \$3,000,000 and, subject to the deductible portion referred to below, up to the full face amount of the policy is payable, regardless of the number of directors and officers involved;
- (b) the annual premium is \$22,250. The policy does not specify that a part of the premium is paid in respect of either directors as a group or officers as a group; and
- (c) the policy provides for deductibles as follows:
  - (i) with respect to the directors and officers there is no deductible applicable; and
  - (ii) with respect to reimbursement of the Company there is a deductible of \$25,000 for each claim other than a securities claim or employment practices claim and \$25,000 for each employment practices claim and \$75,000 for each securities claim.

### **Composition of the Compensation Committee**

The Company does not have a compensation committee. Compensation related matters are handled by the Board of Directors, which for the financial year ended September 30, 2006 was composed of Messrs. Patrick J. Mars, C. Nigel Lees, Peter Bojtos, Joseph Baylis and Gary Robertson. Messrs. Bojtos, Baylis and Robertson have not been officers of the Company.

## **Report on Executive Compensation**

When determining the compensation of the Company's executive officers, including the Named Executive Officers, the Board of Directors considers the limited resources of the Company and the objectives of: (i) recruiting and retaining the executives critical to the success of the Company and the enhancement of shareholder value; (ii) providing fair and competitive compensation; (iii) balancing the interests of management and shareholders of the Company; and (iv) rewarding performance, both on an individual basis and with respect to the business in general. In order to achieve these objectives, the compensation paid to executive officers consists of the following three components:

- (a) base fee or salary;
- (b) bonus, and
- (c) long-term incentive in the form of stock options.

### *Base Fee or Salary*

The base fee or salary of each particular executive officer is determined by an assessment by the Board of such executive's performance, a consideration of competitive compensation levels in companies similar to the Company and a review of the performance of the Company as a whole and the role such executive officer played in such corporate performance.

### *Bonus*

Bonuses are performance based short-term financial incentives which are a percentage of annual base fee or salaries. Bonus levels will be determined by level of position with the Company. Bonuses will be paid based on certain indicators such as personal performance, team performance and/or corporate financial performance.

### *Long-Term Incentive*

The Company provides a long-term incentive by granting options to executive officers. The objective of granting options is to encourage executives to acquire an ownership interest in the Company over a period of time, which acts as a financial incentive for such executive to consider the long-term interests of the Company and its shareholders.

### *Compensation of Chief Executive Officer*

The components of the Chief Executive Officer's compensation are the same as those which apply to the other senior executive officers of the Company, namely base fee or salary, bonuses and long-term incentives in the form of stock options. The Chairman of the Board presents recommendations to the Board with respect to the Chief Executive Officer's compensation. In setting the Chief Executive Officer's base fee, the Board reviews salaries paid to other senior officers in the Company, salaries paid to other chief executive officers in the industry and the Chief Executive Officer's contribution to the affairs of the Company. During the financial year ended September 30, 2006, Mr. Lees was also granted 800,000 stock options (see "Option/SAR Grants" table above for further details).

The foregoing report has been submitted by the Chairman of the Board of Directors on behalf of the Board.

(Signed) *Patrick J. Mars* (Chairman)

**Equity Compensation Plan Information**

The following table provides details of compensation plans under which equity securities of the Company are authorized for issuance as of the financial year ended September 30, 2006.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans</b>
Equity compensation plans approved by securityholders	6,908,000	\$0.15	979,696
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	6,908,000 <sup>(1)</sup>	\$0.15 <sup>(2)</sup>	979,696 <sup>(2)</sup>

<sup>(1)</sup> As at the date hereof, there are 6,540,000 Common Shares issuable upon exercise of outstanding stock options.

<sup>(2)</sup> As at the date hereof, the weighted-average price of outstanding options is \$0.15.

<sup>(3)</sup>As at the date hereof, 1,347,696 common shares remain issuable under the Company's 2005 Incentive Stock Option Plan.

**Indebtedness of Directors and Executive Officers**

***Aggregate Indebtedness***

As at February 8<sup>th</sup>, 2007, no director, executive officer or employee of the Company or any of its subsidiaries, or former director, executive officer or employee of the Company was indebted to the Company or any of its subsidiaries, nor were any of these individuals indebted to another entity which indebtedness was the subject of a guarantee, support agreement, letter of credit or similar arrangement or undertaking provided by the Company or any of its subsidiaries.

**Interest of Informed Persons in Material Transactions**

Other than as described below and elsewhere in this management information circular, since the commencement of the Company's last completed financial year, no informed person of the Company, nominee for election as a director of the Company, or any associate or affiliate of an informed person or nominee, has or had any material interest, direct or indirect, in any transaction or any proposed transaction which has materially affected or will materially affect the Company or any of its subsidiaries.

## BUSINESS OF THE MEETING

### Election of Directors

The Company's Articles of Incorporation provide that the Board consist of a minimum of three (3) and a maximum of thirteen (13) directors. The Board currently consists of five (5) directors. At the Meeting, the five (5) persons named hereunder will be proposed for election as directors of the Company. **Unless authority to do so is withheld, the persons named in the accompanying proxy intend to vote for the election of the nominees whose names are set forth below.** Management does not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, it is intended that discretionary authority shall be exercised by the persons named in the accompanying proxy to vote the proxy for the election of any other person or persons in place of any nominee or nominees unable to serve. Each director elected will hold office until the close of the first annual meeting of shareholders of the Company following his election unless his office is earlier vacated in accordance with the Company's By-Laws.

The following table sets forth the name, province/state and country of residence, principal occupation or employment, year they first became a director of the Company and number of shares beneficially owned by each nominee for election as a director of the Company. The statement as to the Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by the nominees for election as directors hereinafter named is in each instance based upon information furnished by the person concerned and is as at February 8<sup>th</sup>, 2007.

<u>Name, Province/State and Country of Residence</u>	<u>Principal Occupation or Employment During the Last Five Years</u>	<u>Year First Became a Director of the Company</u>	<u>Number of Common Shares Beneficially Owned, Directly or Indirectly or Over Which Control or Direction is Exercised</u>
<b>C. Nigel Lees</b> <sup>(5)</sup> Toronto, Ontario Canada	President of C.N. Lees Investments Ltd.; Past President and CEO of Sunblush Technologies Corporation; Corporate Director. <sup>(7)</sup>	2003	2,550,000 <sup>(1)</sup>
<b>Patrick Mars</b> <sup>(4)(6)</sup> Toronto, Ontario Canada	President of P.J. Mars Investments Ltd.; former Chairman and Director of First Marathon Securities (UK) Limited/NBC Financial (UK) Ltd. (1999-2001); Corporate Director. <sup>(7)</sup>	2002	600,000 <sup>(2)</sup>
<b>Peter Bojtos</b> <sup>(4)(6)</sup> Lakewood, Colorado U.S.A.	Professional Engineer and Corporate Director. <sup>(7)</sup>	1997	165,012

<u>Name, Province/State and Country of Residence</u>	<u>Principal Occupation or Employment During the Last Five Years</u>	<u>Year First Became a Director of the Company</u>	<u>Number of Common Shares Beneficially Owned, Directly or Indirectly or Over Which Control or Direction is Exercised</u>
<b>Joseph Baylis</b> <sup>(4)(6)</sup> The Woodlands, Texas U.S.A.	President and CEO of Manicouagan Minerals Inc.: Principal – Wyndspire Advisors, a mining consultancy, Past President and Chief Executive Officer, Olympus Pacific Minerals Inc.; Past Senior Vice President , Corporate Development of Battle Mountain Gold Company; Corporate Director. <sup>(7)</sup>	2002	80,000
<b>Gary Robertson</b> <sup>(6)</sup> 90 Congressional Crescent Moncton, New Brunswick Canada E1H 3L3	Provincial Manager for Dundee Wealth Management and financial planner and manager for Dundee Private Investors for past 18 years; Corporate Director. <sup>(7)</sup>	2005	1,011,667 <sup>(3)</sup>

<sup>(1)</sup> 680,000 of which are owned by C. N. Lees Investments Ltd., a company controlled by C. Nigel Lees.

<sup>(2)</sup> 500,000 of which are owned by P.J. Mars Investments Ltd., a company controlled by Patrick Mars.

<sup>(3)</sup> 756,667 of which are owned by 058907 NB Ltd., a company controlled by Gary Robertson.

<sup>(4)</sup> Member of the Audit Committee.

<sup>(5)</sup> C. Nigel Lees is currently the President and Chief Executive Officer of the Company and as such Mr. Lees is not an independent director within the meaning of the term in s.4.1 of Multilateral Instrument 52-110 (“MI 52-110”).

<sup>(6)</sup> Independent director within the meaning of the term in s. 4.1 of MI 52-110.

<sup>(7)</sup> See section 3(b)(i) of the TSX Venture Exchange (“TSXV”) listing application dated December 2, 2005 of the Company for a list of other issuers with which each of the director nominees was involved in the past five years.

#### *Corporate Cease Trade Orders or Bankruptcies*

Except as otherwise disclosed hereunder, during the past ten years, none of the proposed directors of the Company was a director, officer or promoter of any issuer that was, during his tenure, the subject of a cease trade order or similar order, or an order that denied that issuer access to any statutory exemptions for a period of more than 30 consecutive days, or was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

Peter Bojtos has been a director of Sage (formerly Sahelian) since its inception in 1997. In 2001, Sahelian made a proposal to its creditors under the *Bankruptcy and Insolvency Act* (Canada) which was accepted by its creditors and successfully completed.

On May 21, 1999, as a result of the Company's failure to file certain continuous disclosure documents, the British Columbia Securities Commission (the "BCSC") issued a cease trade order (the "BCSC 1999 Cease Trade Order") in respect of the Company's securities. On June 1, 2000, also as a result of the Company's failure to file certain continuous disclosure documents, the Ontario Securities Commission (the "OSC") issued a cease trade order and on June 14, 2000 issued an Extension Order (collectively, the "OSC 2000 Cease Trade Order") in respect of the Company's securities. The Company has since brought its filings up to date. On September 15, 2003 both the BCSC 1999 Cease Trade Order and the OSC 2000 Cease Trade Order were fully revoked.

In June 2000, the OSC and in August 2001, the BCSC ordered that the management and insiders of Link Minerals Ventures Inc. ("Link Minerals") of which Peter Bojtos is a director, be prohibited from trading in the securities of the company until the annual financial statements are filed. Link Minerals remains cease traded.

From 1995 to 1998, Patrick Mars was President and a director of Anvil Range Mining Corporation ("Anvil"). During this period Anvil made a voluntary arrangement with its creditors which has since been completed.

#### *Individual Bankruptcies*

None of the proposed directors of the Company has, during the past ten years, been declared bankrupt, made a voluntary assignment in bankruptcy, made a proposal under bankruptcy or insolvency legislation or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold their assets.

### **Statement of Corporate Governance Practices**

#### **Corporate Governance**

The Canadian Securities Administrators, in NI 58-101, have adopted guidelines for effective corporate governance which address the constitution and independence of boards, the functions to be performed by boards and their committees and the recruitment, effectiveness and education of board members. A description of the Company's corporate governance practices is set out below, including a discussion of the principal matters relating to corporate governance practices discussed in NI 58-101.

This discussion statement has been prepared and approved by the Board.

A majority of the Board is independent within the meaning of NI 58-101. Mr. Lees is not independent as Mr. Lees is an officer of the Company.

The following is a list of other issuers with which each of the nominated directors is currently involved:

<b>C. Nigel Lees</b>	Patricia Mining Corp. Ursa Major Minerals Incorporated Yamana Gold Inc.
<b>Patrick Mars</b>	Aura Gold Inc. Carpathian Gold Inc. Endeavour Mining Capital Inc. First Point Minerals Corp. Glencairn Gold Corporation Manicouagan Minerals Inc. Pacifica Resources Ltd Yamana Gold Inc.
<b>Peter Bojtos</b>	Chatsworth Resources Inc. Desert Sun Mining Corp. Merrex Gold Inc. Tournigan Gold Corporation Vaaldiam Resources Ltd. Vault Minerals Inc.
<b>Joseph Baylis</b>	Manicouagan Minerals Inc. Olympus Pacific Minerals Inc. Wildcat Exploration Ltd.
<b>Gary Robertson</b>	Avino Silver and Gold Mines Ltd. Bralorne Gold Mines Ltd Coral Gold Resources Ltd. Levon Resources Ltd. Mill Bay Ventures Inc.

The Board is currently comprised of experienced directors who are board members of other public companies. Orientation is currently provided at the Board level by members of the Board on an as needed basis.

The Company does not currently have a written Code of Ethics. However, in the future the Board may decide to implement a written code that encourages and promotes a culture of ethical business conduct amongst the directors, officers and employees of the Company (the mandate of the Audit Committee is to review and update such a code when, and if, implemented by the Company).

Nominations for the Board are currently facilitated by the members of the Board. Board members are able to freely make suggestions regarding individuals to be considered by the Board for nomination. After such consideration, the Board determines whether or not to put the individual forward as a nominee at the annual meeting of shareholders or at such other time as may be necessary.

As a relatively small Board of five members, the Board acts on all matters with the exception of duties carried out specifically by the Audit Committee. All directors participate actively in the decision making process and all work effectively and efficiently as a group. At the present time, the Company does not have a formal assessment process for the Board, its Audit Committee or individual directors.

#### **Appointment of Auditors**

Unless authority to do so is withheld, the persons named in the accompanying proxy intend to vote for the appointment of BDO Dunwoody LLP, Chartered Accountants, as auditors of the Company until the close of the next annual meeting of shareholders and to authorize the directors to fix their remuneration. BDO

Dunwoody LLP, Chartered Accountants, were first appointed as auditors of the Company on May 21, 2002. The previous Auditors of the Company were Grant Thornton LLP.

**Audit Fees**

For the years ended September 30, 2006 and September 30, 2005 the Company paid BDO Dunwoody LLP total fees of \$54,581 and \$54,525, respectively. The table below shows the break down of such fees.

	<b>Year Ended September 30, 2006</b>	<b>Year Ended September 30, 2005</b>
Audit Fees	\$45,900	\$35,900
Audit Related Fees <sup>(1)</sup>	\$Nil	\$9,400
Tax Fees	\$7,500	\$8,025
All Other Fees	\$1,181	\$1,200
<b>Total Fees</b>	<b>\$54,581</b>	<b>\$54,525</b>

(1) Audit-related fees include fees relating to the preparation of prospectuses and consultations regarding financial accounting and reporting standards.

**2005 Incentive Stock Option Plan**

Currently, the Company has a 10% "rolling" stock option plan as described in TSX Venture Exchange Policy 4.4. Under Exchange Policy 4.4, the Company is required to obtain the approval of its shareholders to any stock option plan that is a "rolling" plan yearly at the Company's annual meeting. Accordingly, the shareholders will be asked to re-approve the Company's existing 2005 Incentive Stock Option Plan.

**PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE APPROVAL OF THE 2005 INCENTIVE STOCK OPTION PLAN UNLESS A SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT THE SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.**

Shareholders are asked to pass the following ordinary resolution (meaning a resolution passed by the majority of votes cast thereon in person or by proxy at the Meeting) authorizing the re-approval of the existing 2005 Incentive Stock Option Plan:

"BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. the 2005 Incentive Stock Option Plan of the Company currently in place be re-approved; and
2. any director or officer of the Company is hereby authorized to execute (whether under the corporate seal of the Company or otherwise) and deliver all such documents and to do all such other acts and things as such director or officer may determine to be necessary or advisable in connection with such re-approval, the execution of any such document or the doing of any such other act or thing by any director or officer of the Company being conclusive evidence of such determination."

**Audit Committee Charter**

(Implemented pursuant to MI 52-110)

MI 52-110 relating to the composition and function of audit committees has been adopted in all jurisdictions except British Columbia for reporting companies effective March 30, 2004 and, accordingly, applies to every TSXV listed company, including the Company. MI 52-110 requires all affected issuers to have a written audit committee Charter which must be disclosed, as stipulated by Form 52-110F2, in the

management information circular of the Company wherein management solicits proxies from the security holders of the Company for the purpose of electing directors to the Board.

The members of the Audit Committee for the Company are Patrick Mars, Peter Bojtos and Joseph Baylis. All members of the Committee are independent directors and financially literate.

This Charter has been adopted by the Board in order to comply with MI 52-110 and to more properly define the role of the Committee in the oversight of the financial reporting process of the Company. Nothing in this Charter is intended to restrict the ability of the Board or the Committee to alter or vary procedures in order to comply more fully with MI 52-110, as amended from time to time. The Company is relying on the exemption in 6.1 of Multilateral Instrument 52-110.

**SAGE GOLD INC.  
CHARTER OF THE AUDIT COMMITTEE  
OF THE BOARD OF DIRECTORS**

**I. PURPOSE**

The Audit Committee is a committee of the Board of Directors of SAGE Gold Inc. (the "Company"). The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its financial reporting and control responsibilities to the shareholders of the Company. The Audit Committee's primary duties and responsibilities are:

- overseeing the integrity of the Company's financial statements and reviewing the financial reports, other financial information and other relevant documents provided by the Company to any regulatory body or the public;
- recommending the appointment and the compensation and reviewing and appraising the audit efforts of the Company's independent auditor, overseeing the independent auditor's qualifications and independence and providing an open avenue of communication among the independent auditor, financial and senior management and the Board of Directors;
- serving as an independent and objective party to oversee and monitor the Company's financial reporting process and internal controls, the Company's processes to manage business and financial risk, and its compliance with legal, ethical and regulatory requirements;
- encouraging continuous improvement of, and fostering adherence to, the Company's policies, procedures and practices at all levels.

**II. COMPOSITION AND MEETINGS**

The Audit Committee shall be comprised of three directors. Unless otherwise authorized by the Board of Directors, each Committee member shall be financially literate and independent, the meaning of such terms being in accordance with multilateral instrument 52-110 Audit committees, or any successor thereto ("**MI 52-110**").

The foregoing notwithstanding, the Board of Directors may appoint not more than one member who does not meet the test of independence set out in MI 52-110.

The members of the Committee shall be appointed by the Board at the annual organizational meeting of the Board. Such appointment shall be until their successors are duly appointed and qualified. Unless a Chairman is elected by the Board, the members of the Committee may designate a Chairman by a majority vote of the Committee.

The Committee shall meet at least four times annually, or more frequently as circumstances require. The Committee shall meet within 60 days following the end of each of the first three financial quarters to review and discuss the unaudited financial results for the preceding quarter and the related Management Discussion & Analysis prior to their being published. The Committee shall meet within 120 days following the end of the fiscal year end to review and discuss the audited financial results for the year and related Management Discussion & Analysis prior to their being published.

The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their audit-related duties, members of the Committee shall have full access to all corporate information and shall be permitted to discuss such information and any other matters relating to the financial position of the Company with senior employees, officers and independent auditor of the Company.

As part of its mandate to foster open communication, the Committee should meet at least annually with management and the independent auditor in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately.

A quorum for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Committee.

Meetings of the Audit Committee shall be held from time to time and at such place as the Audit Committee or the Chairman of the Committee shall determine upon 48 hours notice to each of the members. The notice period may be waived by a quorum of the Committee. Notwithstanding the foregoing, each of the Chairman of the Committee, members of the Committee, Chairman of the Board, independent auditor, Chief Executive Officer, Chief Financial Officer or Secretary shall be entitled to request that the Chairman of the Audit Committee call a meeting which shall be held within 48 hours of receipt of such request.

### **III. RESPONSIBILITIES AND DUTIES**

To fulfill its responsibilities and duties the Audit Committee shall:

1. Create an agenda for the ensuing year.
2. Review and update this Charter at least annually, as conditions dictate.
3. Ensure that the independent auditor reports directly to the Committee and is made accountable to the Committee.
4. Describe in the Company's Management Information Circular or, if the Company is not required to send such circular, in its Annual Information Form or Management Discussion and Analysis, the Committee's composition and responsibilities and how such responsibilities were discharged, as required by Form 52 – 110F2.
5. Report periodically to the Board of Directors.

#### **Documents/Reports Review**

6. Review with management and the independent auditor, the Company's annual financial statements, Management Discussion and Analysis and any reports or other financial information to be submitted to any regulatory body, or the public, including any certification, report, opinion or review rendered by the independent auditor for the purpose of recommending their approval to the Board of Directors prior to their filing, issue or publication.

7. Review with financial management the Company's interim financial statements, Management Discussion and Analysis and earnings releases and any filings which contain financial information, to be submitted to regulatory bodies or the public prior to their filing, issue or publication. The Chairman of the Committee may represent the Committee for this review in circumstances where time does not allow all of the members of the Committee to be available.
8. Review policies and procedures with respect to directors' and officers' expense accounts and management perquisites and benefits, including their use of corporate assets and expenditures related to executive travel and entertainment, and review the results of the procedures performed in these areas by the independent auditor, based on terms of reference agreed upon by the independent auditor and the Audit Committee.

### **Independent Auditor**

9. Review the performance of the independent auditor, consider their independence, review their engagement letter including their proposed fees and other compensation to be paid to the independent auditor in the ensuing year, and recommend to the Board of Directors the selection of the independent auditor for approval by shareholders at the next meeting of shareholders.
10. Review and discuss, at least on an annual basis, with the independent auditor, all significant relationships it has with the Company to determine its independence, and report to the Board of Directors.
11. Approve any proposed discharge and replacement of the independent auditor when circumstances warrant. Consider with management and the independent auditor the rationale for employing accounting/auditing firms other than the principal independent auditor.
12. Arrange for the independent auditor to be available to the Audit Committee and the full Board of Directors as needed.
13. Subject to Section 14 below, review and pre-approve requests for any non-audit services to be performed by the independent auditor and be advised of any other studies, engagement or non-audit services undertaken at the request of management that is beyond the scope of the audit engagement letter and related fees. In connection with the pre-approval of permissible non-audit services, adopt specific policies and procedures for the engagement of such services, which detail the particular non-audit services. Such procedures must not include delegation of the Committee's responsibilities to management.
14. Ensure that the independent auditor is prohibited from providing the following non-audit services and determine which other non-audit services the independent auditor is prohibited from providing:
  - bookkeeping or other services related to the accounting records or financial statements of the Company;
  - financial information systems design and implementation;
  - appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
  - actuarial services;
  - internal audit outsourcing services;
  - management functions or human resources;

- broker or dealer, investment adviser or investment banking services;
- legal services and expert services unrelated to the audit; and
- any other services which the Public Company Accounting Oversight Board determines to be impermissible.

### **Financial Reporting Processes**

15. In consultation with the independent auditor review the integrity of the Company's financial and accounting and reporting processes, both internal and external.
16. Consider the independent auditor's judgments about the quality and appropriateness, not just the acceptability, of the Company's accounting principles and financial disclosure practices, as applied in its financial reporting, particularly about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates and whether those principles are common practices or are minority practices.
17. Consider and, if appropriate, approve major changes to the Company's accounting principles and practices as suggested by management with the concurrence of the independent auditor and ensure that the accountants' reasoning is described in determining the appropriateness of changes in accounting principles and disclosure.

### **Process Improvement**

18. At least annually obtaining and reviewing a report prepared by the independent auditor describing (i) the independent auditor's quality-control procedures; and (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor, or by any inquiry of investigation by regulatory or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditor, and any steps taken to deal with any such issues.
19. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, controls and audit matters and for the confidential and anonymous submissions by employees of concerns regarding questionable accounting or auditing matters.
20. Review and approve hiring policies for employees or former employees of the past and present independent auditor.
21. Review the scope and plans of the independent auditor's audit and reviews prior to the audit and reviews being conducted. The Committee may authorize the independent auditor to perform supplemental reviews or audits as the Committee may deem desirable.
22. Monitor the relationship between management and the independent auditor including reviewing any management letters or other reports of the independent auditor and discussing any material differences of opinion between management and the independent auditor. Where there are unsettled material differences, the Committee shall ensure that there is an agreed course of action for the resolution of such matters.
23. Establish regular and separate systems of reporting to the Audit Committee by each of management and the independent auditor regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.

24. Meet with the independent auditor without management in attendance at the time of the completion of the annual audit about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the organization's financial statements. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper. At this meeting the independent auditor would be expected to report on any issues they had with management including concerns about the competence to manage the financial affairs of the Company.
25. Following completion of the annual audit, review separately with each of management and the independent auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and reviews, including any restrictions on the scope of work or access to required information and the cooperation that the independent auditor received during the course of the audit.
26. Review any significant disagreements among management and the independent auditor in connection with the preparation of the financial statements.
27. Review with the independent auditor and management significant findings during the year and the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.
28. Review activities, organizational structure, and qualifications of the Chief Financial Officer and the staff in the financial reporting area and see to it that matters related to succession planning within the Company are raised for consideration by the Board of Directors.

#### **Ethical and Legal Compliance**

29. Review and update periodically a Code of Ethical Conduct and ensure that management has established a system to enforce this Code. Review through appropriate actions taken to ensure compliance with the Code of Ethical Conduct and to review the results.
30. Review management's monitoring of the Company's system in place to ensure that the Company's financial statements, reports and other financial information disseminated to regulatory organizations, or the public satisfy legal requirements.
31. Review, with the Company's counsel, legal and regulatory compliance matters, including corporate securities trading policies, and matters that could have a significant impact on the organization's financial statements.

#### **Risk Management**

32. Make inquiries of management and the independent auditor to identify significant business, political, financial and controls risks and exposures and assess the steps management has taken to minimize such risk to the Company.
33. Ensure that the disclosure of the process followed by the Board of Directors and its committees, in the oversight of the Company's management of principal business risks, is complete and fairly presented.
34. Review management's program of risk assessment and steps taken to address significant risks or exposures, including insurance coverage.

## **General**

35. Conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain, set and pay the compensation for independent counsel, accountants and other professionals to assist it in the conduct of any investigation.
36. Perform any other activities consistent with this Charter, the Company's By-laws and governing law, as the Committee or the Board of Directors deems necessary or appropriate.

## **Additional Information**

The Company's shares trade on the TSXV under the symbol "SGX" and on the CNQ under the symbol "SAGE".

Additional information relating to the Company can also be found on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Company's financial statements for the financial year ended September 30, 2006 and related management's discussion and analysis of results, which can be found in the Company's annual report to shareholders, which accompanies this management information circular and has also been filed on SEDAR. Shareholders may also contact C. Nigel Lees, President and Chief Executive Officer or Art Hampson, Chief Financial Officer of the Company by phone at (416) 204-3170 to request copies of these documents.

## **Directors' Approval**

The contents of this management information circular and the sending thereof to the shareholders of the Company have been approved by the Board.

**BY ORDER OF THE BOARD OF DIRECTORS**

*(signed ) "C. Nigel Lees"*

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**C. Nigel Lees**  
**President, Chief Executive Officer and Director**

Toronto, Ontario  
February 8<sup>th</sup>, 2007