

## **SAGE GOLD INC. - MANAGEMENT DISCUSSION AND ANALYSIS**

### **FISCAL YEAR 2007 – YEAR ENDED SEPTEMBER 30, 2007**

This management discussion and analysis (“MD&A”) of results of operations and financial condition of Sage Gold Inc. (“Sage” or “the Company”) describes the operating and financial results of the Company for the year ended September 30, 2007 (“fiscal year 2007”). The MD&A supplements, but does not form part of, the financial statements of the Company and should be read in conjunction with Sage’s audited consolidated financial statements and related notes for fiscal 2007 and the audited statements for fiscal 2006. The Company prepares and files its financial statements in accordance with Canadian generally accepted accounting principles.

#### **DATE OF MD&A**

This MD&A was prepared on December 13, 2007.

### **OVERALL PERFORMANCE**

#### **Overview of Operations**

Sage is a precious and base metals exploration and development corporation with properties in North America. The Company’s main focus is the exploration of existing properties as well as the acquisition of exploration development and production properties, primarily in the Americas. The Sage management team and Directors have extensive experience in all aspects of mineral exploration, development, and financing in both senior and junior resource companies.

The Company has an extensive portfolio of precious and base metal properties in Ontario, Quebec, Nevada and Arizona. The main focus in 2007 has been on the Beardmore properties in Ontario primarily the Jacobus nickel/copper/gold property and the Onaman poly-metallic property. There is renewed interest in the area driven by high gold prices, recent excellent exploration results and new insights into modes of gold mineralization. Sage has recently acquired options on four additional properties (Paint Lake, King Solomon’s Pillars, Missing Link and Cote Two Rivers) in the Beardmore area further enhancing the portfolio and establishing the Company as a significant explorer in this area. The Kerrs gold property in the Lake Abitibi Gold Belt region of Ontario was optioned in 2007 to Sheltered Oak Resources and exploration including drilling is expected to commence in calendar Q1 2008.

For fiscal 2008 the Company has an aggressive Canadian exploration program which will be financed through the recently completed \$5.48 million flow-through financing. See Subsequent Events.

The Pony Spur property in Nevada’s Southern Carlin Trend was drilled in late October 2007 and one hole was completed which intersected the Devil’s Gate – Webb formation contact. Further drilling on Pony Spur is scheduled for 2008 along with the Triple Junction and/or the Dixie Fork properties. The Sugarloaf property in the Midas Trend of Northern Nevada is contiguous with a new molybdenum discovery by Mexivada Mining Corporation and Sage is planning an exploration program for 2008.

## 1) Mineral Properties

<b>Mineral Property</b>	<b>Location</b>	<b>Sage interest</b>	<b>Acres</b>
	<b>Ontario</b>		
<b>Kerrs Properties</b>			
Kerrs Lease (a)	Kerrs Township (Chesney Bay)	100%	459
Kerrs Property (a)	Kerrs, Chesney Bay and Rayner Lake, Galna	100%	18,480
Kerrs – Kidston/Dyment(a)	Kerrs Township	Option 100%	160
Onaman Lake	Coughlan & Castlewood Lakes	100%	6,451
	Castlewood Lake	100%	1,280
Jacobus	Kaby and Tyrol Lakes	100%	8,640
	Elmhirst Township	100%	560
Paint Lake	Irwin and Walters Township	Option 100%	344
Missing Link	Lapierre and Legault Townships	Option 100%	2,240
Cote Two Rivers	Coughlan and Castlewood Lakes	Option 100%	2,400
King Soloman's Pillars	Walters Township	Option 100%	697

	<b>Quebec</b>		
Chibougamau Barlow (a)	Barlow Township	100%	2,918
Chibougamau Fancamp (a)	Fancamp Township	100%	158
Fort Chimo Gold	Rougemont Township	75%	751
Fort Chimo Gold	Chute de la Pyrite Township	75%	593
Malartic 1-96	Cadillac and Malartic Townships	100%	1,438
Nicole	Barlow Township	Option 100%	1,392

	USA		
<b>Nevada Properties</b>			
Triple Junction	Elko County, Nevada	Option 55 or 70%	708
Dixie Fork	Elko County, Nevada	Option 55 or 70%	634
Pony Spur	Elko County, Nevada	100%	960
Dike	Elko County, Nevada	100%	1,240
Corridors	Elko County, Nevada	100%	1,240
Sugarloaf	Elko County, Nevada	100%	640

Arizona Property			
Big Bend	Yavapai County, Arizona	Exploration permit	160
Gold Hill	Maricopa County, Arizona	Option 50%	116

(a) In February 2007, Sage entered into a three year option agreement with Sheltered Oak Resources Inc., a private Ontario corporation, ("OAK") whereby OAK may earn a 55% interest in the Kerrs property and a 100% interest in the Chibougamau and Malartic properties.

In order to earn the interest in each property, OAK will pay cash and incur exploration expenditures on each property over the term of the agreement as follows:

Kerrs: \$200,000 in cash plus \$1,800,000 for exploration expenditures.  
Chibougamau: \$105,000 in cash plus \$265,000 for exploration expenditures.  
Malartic: \$55,000 in cash plus \$150,000 for exploration expenditures.

OAK paid Sage \$60,000 as the first instalment under this agreement on March 6, 2007.

In April 2007, OAK issued Sage 180,000 common shares in the capital of OAK and granted Sage the right to purchase, by way of private placement, 500,000 common shares of OAK at any time within a period of three years at a price of \$1.00 per share from the date on which the common shares are listed for trading on a recognized Stock Exchange.

During the option period Sage shall be the operator responsible for all prospecting, exploration, development and mining operations of the Sage properties and will receive a fee equivalent to 15% of the exploration expenditures.

On August 3, 2007 Sage amended the option agreement referred to in Note 1 with Sheltered Oak Resources ("OAK"), whereby OAK will pay for all expenses and fees relating to negotiations and studies with respect to the memorandum of Understanding and Advisory Agreement with The First Nations. All payments made by OAK shall be credited against management fees payable by OAK to Sage, other than those payments made by OAK which qualify as flow-through expenses, which payments will be credited against the required exploration spending by OAK in the option agreement. In addition, Sage agreed to postpone all required payments to Sage from OAK for six months from the dates in the existing option agreement.

On December 1, 2007, a further amendment was agreed to whereby the timing of the future cash payments and related exploration expenditures was postponed for six months.

## 2) Acquisitions

(a) In January 2007 Sage completed an agreement with Diagnos Inc., which had been initiated in December 2006, whereby Sage was granted an option to acquire a 100% interest in the Nicole property in the Abitibi region. The project consists of 10 claims covering approximately 1392 acres of terrain in the Urban and Barry Townships in Quebec.

The Company paid Diagnos Inc. a cash sum for the property, including consulting services of \$40,000. Furthermore, on the property on which an economic discovery is made, a bonus of a 2% net smelter

return royalty ("NSR") will be granted to Diagnos Inc. The Company will have the right to acquire 1% of this NSR for \$750,000 any time within five years of the economic discovery.

(b) On March 8, 2007, Sage closed an option agreement to earn a 50% undivided interest in the mineral rights of the Gold Hill property located in the Cave Creek district north of Phoenix Arizona. The property comprises six patented mining claims located in Maricopa County, Arizona.

Sage will have an option to earn the 50% undivided interest in the mineral rights and be the operator of the Gold Hill property by fulfilling the following;

- 1) On the closing date issuing 500,000 common shares (issued April 2, 2007, valued at \$52,500).
- 2) Expending U.S.\$250,000 in exploration within 12 months.
- 3) Issuing U.S.\$50,000 worth of common shares to the vendor at the first anniversary.

There is an historical resource of 380,000 tons of 0.27oz. Au/t based on vein sampling from the existing workings, which were resampled in 1981 (Promet Services – December 1981, Duane Brown PhD).

Dr. Ulrich Kretschmar, Ph.D, P.Geo (APGO #1160) a qualified person as defined by NI 43-101 has read and approved this technical content relating to the Gold Hill property.

### **3) Exploration Activities**

#### **Ontario, Canada**

##### **Jacobus (Beardmore Geraldton Gold Belt)**

a) On January 26, 2007 the Company reported the completion of its first two holes on the Jacobus nickel-copper-gold property located northeast of Beardmore, Ontario.

Hole SJ-06-01 intersected 6.3 metres (true thickness) of 0.85% Cu and 0.54% Ni. The mineralized zone occurs in an anorthositic gabbro as a sulphide rich layer. The sulphide minerals are chalcopyrite, pyrrhotite and pentlandite, which occur as blebs and disseminations and constitute between 4 to 6% of the gabbro within the mineralized zone. Anomalous platinum (Pt) and palladium (Pd) are present and the Pt/Pd ratio is greater than 1. Gold is also present over a range of 0.05g Au/T to 0.25g Au/T. The second hole (SJ-06-02) was drilled 60 metres northwest from SJ-06-01. SJ06-02 intersected 6.3 metres of 0.41% Cu and 0.38% Ni. The current drill program has confirmed that the zone extends a further 300 metres downdip from the area where historical reserves were defined.

b) On June 14, 2007 the Company announced the results of Hole SJ07-06 from the second phase of the drilling program on the Jacobus property. This hole intersected 11.45 metres (true thickness 8.5 metres) of 0.95% Ni and 1.16% Cu which includes 6.5 metres of 1.23% Ni and 1.40% Cu. In addition, platinum and palladium occurred in anomalous amounts of up to 0.123 g/t and gold was present up to 0.134 g/t. This hole was drilled 25 metres north from SJ06-02.

c) On July 24, 2007 Sage announced the completion of the second phase of the drilling program at the Jacobus property. In total, fourteen drill holes were completed, with additional high grade mineralization over significant widths being encountered. The highlights were as follows:

- Hole-11 – 2.12% Ni and 1.02% Cu over 6.6 metres within a broader zone of 0.90% Ni and 0.55% Cu over 21.4 metres.
- Hole-12 – 0.93% Ni and 0.62% Cu over 7.3 metres within a broader zone of 0.68% Ni and 0.52% Cu over 26.2 metres.
- Hole-13 - 0.91% Ni and 0.79% Cu over 10.3 metres within a broader zone of 0.61% Ni and 0.53% Cu over 20.6 metres.

- Hole-7- was drilled as a vertical hole in the down dip section of the zone but did not intersect the mineralized gabbro as the hole deviated from the intended target. However, this hole intersected a pyritized carbonate rich section of chloritic tuff that yielded 15.15 grams of gold( Au) per tonne over 0.73 metres. This gold bearing horizon represents a new zone of mineralization that is not related to the Ni-Cu mineralization within the gabbro.

The Jacobus property lies approximately 3 kilometres north of the recent gold discovery by Kodiak Exploration Limited (KXL-V) on its Hercules property which Kodiak refers to as The Golden Mile. Kodiak, in its press release dated November 29, 2007, reported 3.6m grading 358.56 gpt (10.46 opt) gold, 2.9m grading 45.25 gpt (1.32 opt) gold and 4.1m grading 20.77 gpt (0.61 opt) gold. Sage has completed an airborne magnetometer and electromagnetic (EM) survey on both the Jacobus and Onaman properties. The preliminary results from the magnetometer survey of the Jacobus property illustrate that there is a magnetic high on the southeastern corner of the Jacobus property. This represents the northern extension of the magnetic high that encompasses Kodiak's Hercules property. Moreover, there is evidence of a northwest trending magnetic low within the high which may reflect a northwest trending quartz system similar to The Golden Mile. Jacobus Mining Corporation (1957) drilled five holes in the southeastern corner of the current Jacobus property in search of additional nickel-copper mineralisation. One of these holes intersected a ten foot wide quartz vein which was not assayed for gold.

See Subsequent Events.

### **Onaman (Beardmore Geraldton Gold Belt)**

In 2006 Sage conducted a 3000 metre drill program on the Onaman property to update previous work on the Lynx #1 zone and to test the Lynx #2, Lynx #3, Cane Gold, Cane Copper, Abitibi and D9 mineralized occurrences.

(a) On October 30, 2006 Sage Gold Inc. reported results from Hole S06-1 drilled on the Lynx No.1 zone which intersected 5.83% Cu, 141 g Ag/T and 1.72 g Au/T over 6 metres. This was followed up by a report on December 21, 2006 where Sage announced it had completed its 15 hole, 3,000 metre drill program, extensive surface stripping and sampling of the Lynx No. 2 showings and drilling in the newly discovered Lynx No. 3 zone. The drill program yielded a number of significant intersections including Hole S06-09 with 2.6 m grading 6.33% Cu, 112.6 g Ag/T and 2.25 g Au/T in the Lynx #2 zone. On January 29, 2007, Sage reported the balance of the 2006 drilling results from the Lynx #1 zone, highlighted by hole S06-03 which intersected 15.7 metres of 0.89% Cu, 29.2 g Ag/T and 0.33 g Au/T.

b) On January 29, 2007 Sage reported on the remainder of 2006 drilling from the Lynx #1 zone on the Onaman property. Holes S06-02, 03, 04, 05, 06, 07 and S06-12 were drilled to test the historical results from the Lynx #1 zone and to test for potential strike extensions.

S06-03 intersected 15.7 metres of 0.89% Cu, 29.2g Ag/T and 0.33g Au/T. Holes S06-02, 03 and 05 represent 50 metre step-outs and demonstrate lateral continuity of the mineralization. Drilling suggests the existence of several separate horizons representing a stacked mineralized system which has been established over a vertical distance estimated at 100 metres and extending for a strike length of 200 metres. Hole S06-12 intersected a separate parallel horizon, approximately 100 metres lower in the stratigraphy. The drilling successfully confirmed the grade and continuity of copper-gold mineralization at the Lynx # 1 zone over a strike length of 200 metres and down dip to 120 metres.

The main zone at the Lynx # 1 showing was intersected in hole S06-01 (see News Release of Oct 30, 2006) and obtained 5.83% Cu, 141g Ag/T and 1.7g Au/T over a width of 6.0 metres. The intersection included 9.36% Cu, 206.8g Ag/T, and 1.72g Au/T over 2.5 metres. The hole was drilled to duplicate historical hole 75-13, for which reported results are 5.38 % Cu, 4.55oz. Ag/T (141.5g Ag/T) and 0.291oz. Au/T (9.05g Au/T ). These assays were completed by Accurassay Laboratories in Thunder Bay.

## Assays and Drill Hole Intercepts- Lynx #1

Hole #	Hole Depth		Mineralized True Width		Au (g/T)	Ag (g/T)	Cu (%)
	from	to	(metres)	(metres)			
<b>SO6-02</b>	69.8	71.0	126	1.3	0.16	20.2	0.11
	72.0	74.0		2.0	1.47	21.3	0.60
	76.0	79.2		3.2	1.42	25.2	0.77
<b>SO6-03</b> including	90.8	106.5	99	15.7	0.33	29.2	0.89
	90.8	95.8		5.0	0.284	25.4	0.43
	96.6	98.0		1.4	0.308	42.7	2.04
	99.5	103.5		4.0	0.450	28.4	1.75
	105.0	106.5		1.5	0.818	51.0	0.94
<b>SO6-04</b>	90.0	90.6	135	0.60	0.579	23.0	1.09
<b>SO6-05</b>	15.35	16.00	93	0.65	0.582	17.0	0.63
<b>SO6-06</b> including	58.9	63.3	135	4.4	0.075	4.6	0.18
	59.9	60.4		0.5	0.325	14.0	0.67
<b>SO6-07</b>	No assays		45				
<b>SO6-12</b>	57.7	58.5	139	0.80	0.131	14.0	0.11

c) On March 2, 2007 Sage reported the completion of geophysical surveys and further drilling on its Onaman property. The purpose of this drill program was to further extend the existing zones both down dip and along strike with the aim of establishing the potential extent of an open pit resource at Lynx 1, 2 and 3.

Sage has completed eight shallow drill holes (from 25 to 40 metres deep) to test the down-dip extent of mineralization from the Cane Gold occurrence. Holes CA06-01 and CA06-02 were drilled from the same setup at -45° and -60° respectively on the east side of the showing. Holes CA06-03 to CA06-08 were drilled from the same set-up on the west, hanging-wall side of the stratigraphy in a fan shaped pattern with drill hole azimuth orientation of 050°, 080° and 105° and dips respectively of -45° and -060°. The results from this drilling are presented in the table below. The 2006 drilling and surface sampling has confirmed the existence of mineralization of potentially economic grade to a depth of greater than 30 metres, over a strike length of greater than 50 metres.

Sage also completed channel sampling of the "Lower Bench" area of the Cane Gold occurrence. The average grade for a 35 square metre area was reported (July 19, 2006) as 4.1g Au/T, 263g Ag/T, 2.76% Pb and 2.84% Zn. Metallurgical and beneficiation tests carried out on concentrate from a composite sample at the Research and Productivity Council (Fredericton, New Brunswick) from the lower bench produced the following average grade: 5.8% Pb and 4.5% Zn, 3.9g Au/T and 426g Ag/T from a 60 kg composite sample, with good flotation characteristics (see News Releases dated July 19 and August 29, 2006).

## Assays and Drill Hole Intercepts- Cane Gold

Hole #	from	to	Hole Depth (metres)	Mineralized True Width (metres)	Cu %	Pb %	Zn %	Au g/T	Ag g/T			
CA06-01	21.95	22.70	44	0.75	0.26			0.14	14.3			
	23.45	24.20		0.75					31.1			
	26.50	27.42		0.92					77.8			
	29.65	31.15		1.50					0.55	1.55	0.18	147.4
	37.30	40.30		3.00					0.76	0.81	1.77	0.25
CA06-02(i)			35									
CA06-03	16.70	18.60	29	1.95	0.16	1.58	3.94	0.26	123.6			
CA06-04	14.10	17.40	40	2.15	0.12	1.54	2.44	3.32	113.9			
CA06-05	18.48	19.12	25	0.64					13.9			
CA06-06	15.75	18.25	29	2.50	0.36	1.32	3.34	1.20	118.6			
CA06-07	16.25	17.25	35	1.00		2.64	3.85	0.89	243.5			
CA06-08	17.00	18.50	30	1.50	0.07	0.48	1.89	0.29	45.3			

(i) in footwall basalt

Sage has also completed an induced polarisation (IP) survey on the Onaman property in addition to an airborne EM and magnetometer survey. The geophysical surveys were designed to further extend the copper silver gold mineralisation associated with the Lynx 1, 2 and 3 zones. In addition, Sage has discovered a new zone of volcanogenic massive sulphide (VMS) mineralisation west of the Lynx zones which exhibits a large surface area of massive sulphides. This new zone (now referred to as Lynx#4) has now been tested through surface IP and will be drilled in 2008. Sage has been trenching and sampling a 1.5km long geophysical conductor – called *The Big Mac* – which occurs on the western side of the Onaman property. This conductor has been tested through historical drilling by Goldbrook Ventures Inc. (1995) when up to 30 metres of massive pyrite and pyrrhotite were intersected. The system exhibits many of the alteration characteristics of a VMS system with the as yet undiscovered zinc copper core. Sage intends to drill test this system down to about 500 metres in vertical depth. The Company has also discovered a new quartz vein system directly south of *The Big Mac* geophysical conductor. Channel samples have been sent out for assay.

The Onaman and Jacobus exploration projects are being supervised by Exploration Geoscience Associates of Orillia, under the direction of Ulrich Kretschmar, Ph.D, P.Geo (APGO #1160). Dr. Kretschmar has extensive mineral exploration experience in Archean terrain, is a qualified person as defined by NI 43-101 and is responsible for the technical content of this property information.

### Kerrs (Abitibi Gold Belt)

On September 27, 2007, the Company announced the signing of a Memorandum of Understanding (“MOU”) between the Wahgoshig First Nation (“WFN”), Sheltered Oak Resources Inc. (“OAK”), and Sage Gold in relationship to the joint venture agreement between Sage and Sheltered Oak in the Kerrs gold property.

The terms of the MOU include consulting and advisory services by the WFN, training, ongoing communication, financial contribution to the WFN community, an allocation of OAK shares and a grant of 300,000 stock options in Sage to WFN. In addition, WFN and the Companies have agreed to negotiate an Impact Benefits Agreement (“IBA”), should the project proceed to the operational stage.

## **Nevada USA**

### **Pony Spur**

The Pony Spur property is located on the Carlin Trend in Nevada, consisting of 48 lode claims covering 960 acres.

On October 16, 2007 the Company announced the commencement of a diamond drilling program at the Pony Spur property located on the South Carlin Gold Trend in Nevada. Sage has drilled the first hole of this four hole program and is awaiting assay results. Once weather permits in the Spring of 2008 the balance of the program will be completed.

The Pony Spur property is contiguous to Grandview Gold Inc.'s Pony Creek/Elliot Dome property which hosts a 1.426 million ounce inferred resource (Grandview press release of November 8, 2007). Grandview (GVX-V) announced (October 10, 2007) that it had intersected 2.18 grams of gold per tonne (0.64 ounces of gold per short ton) over 36.57 metres (120 ft) on the property.

The Pony Spur property encompasses the Upper Devonian-Lower Mississippian Paleozoic stratigraphy exposed along the flanks of the Pinon Range Anticline. The upper Devonian Devils Gate Limestone is composed of medium to thick-bedded, light and dark gray, fine-grained limestone. This unit is conformably overlain by the Chainman Shale which is a variable sequence of dark gray to black shale, siltstone, sandstone and conglomerate.

The geological material above relating to Pony Spur has been reviewed by Peter Hubacheck, P. Geo., A.P.G.O., P. Geol., A.P.E.G.G.A., of W.A. Hubacheck Consultants Ltd., a qualified person as defined by NI 43-101 regulations.

#### **4) Financing Activities**

On October 10, 2006, the Company issued 270,288 common shares valued at \$67,572 (US\$ 60,000) as part of its obligation to acquire the Pony Spur, Dike, and Corridors properties.

On November 24, 2006 the Company closed a non-brokered private placement of 8,750,427 flow-through shares at Cdn. \$0.14 per share for gross proceeds of \$1,225,060. The Company paid \$87,869 in cash and issued 463,749 options as finders' fees pursuant to the offering. Each option entitles the holder to acquire one common share of the Company at any time within 24 months following the date of issuance at an exercise price of \$0.14 per share.

On March 29, 2007 the Company completed a non-brokered private placement of 5,000,000 units for gross proceeds of \$500,000 and issued 5,000,000 common shares and 2,500,000 warrants to purchase 2,500,000 common shares. Each warrant is exercisable at \$0.15 per common share during the first year and \$0.20 per common share during the second year after closing. The Company paid a finder's fee of \$40,000 in cash and issued 300,000 common shares (valued at \$30,000) and 150,000 broker warrants pursuant to the offering. Each broker warrant will be exercisable into common shares at \$0.20 for two years.

On May 11, 2007, Sage issued 50,000 common shares valued at \$5,500 to the vendors of the Onaman property as per the option agreement.

On July 11, 2007, the Company completed a non-brokered private placement financing of 8,729,998 flow-through common share units for gross proceeds of \$1,047,600. Each unit consisted of one flow-through common share and one half of one share purchase warrant. Each whole warrant is exercisable for one common share at an exercise price of \$0.18 per share exercisable until 24 months from its date of issue. A total of 4,364,998 whole warrants were issued. The Company paid a finder's fee of \$40,912 in cash and issued 155,800 broker warrants pursuant to the offering. Each broker warrant will be exercisable into one

common share at \$0.12 and will remain exercisable for 12 months from the date of issue. All securities issued had a hold period which expired on November 12, 2007.

On September 1, 2007, the Company completed a non-brokered private placement of \$1,000,000 of flow-through units at \$0.16 per unit and \$250,040 of non-flow through units at \$0.14 per unit for total proceeds to the Company of \$1,250,040. The \$1,000,000 flow-through financing consists of 6,250,000 flow-through units issued at \$0.16 per unit (each unit consisting of one flow-through common share and one-half of one warrant) and the \$250,040 non-flow through financing consists of 1,786,000 non-flow through common shares issued at \$0.14 per unit (each unit consisting of one common share and one warrant) for total gross proceeds of \$1,250,040. Each flow-through warrant is exercisable at \$0.22 for 18 months. Each non flow-through warrant is exercisable at \$0.19 for the first year following closing and \$0.25 for the second year following closing. If the Company's common shares achieve a closing price of \$0.28 or higher for a period of 21 consecutive days, the Company may notify the warrant holders that all unexercised warrants will expire in 30 days following the date that the notice is issued. All securities are subject to a four month hold period which expires on January 1, 2008.

On September 19, 2007, Sage closed a non-brokered private placement of 1,875,000 of flow through units at \$0.16 per unit for total proceeds of \$300,000. Each unit consisted of one flow through common share and one-half of one share purchase warrant exercisable at \$0.22 for 18 months. The Company paid a finder's fee of \$30,000 in cash and issued 150,000 broker warrants pursuant to the offering. The warrant holders of this financing are subject to the same terms and conditions as the financing dated September 1 above, with the warrants being exercisable by the Company upon 30 days notice. The securities related to this financing are subject to a four month hold period which expires on January 19, 2008.

During the year the Company granted 1,640,000 options to acquire common shares of Sage at an average exercise price of \$0.13 per common share to members of management, board of directors, employees and consultants of the Company. In addition, 368,000 stock options expired that were previously outstanding to two former directors of the Company.

In fiscal 2007, the Company issued a total of 4,233,000 common shares upon exercise of warrants, 656,240 common shares upon exercise of broker options, 168,120 common shares upon the exercise of compensation warrants, and 185,000 common shares upon the exercise of stock options, receiving aggregate cash proceeds to the Company of \$507,830.

Subsequent to fiscal year end, Kodiak Exploration Limited, whose property boarders Jacobus, announced significant results from its Hercules project, notably on The Golden Mile and Yellow Brick Road veins. Sage has established a program to actively explore on the extension of these veins, to determine the extent to which the veins may continue into Jacobus.

## **5) Personnel**

There were no changes in management or directors during the year ended September 30, 2007.

## **6) Commitment**

The Company agreed to incur \$965,716 of eligible exploration expenditures during calendar 2007 as part of the flow-through funding agreements that were completed and renounced during calendar 2006. The Company has determined that it has met this commitment.

## Selected Annual Information

The following tables set out financial performance highlights for the last four\* years and were prepared in accordance with Canadian GAAP.

	2007	2006(a)	2005	2004
Expenses	1,222,353	1,629,505	1,009,308	760,500
Net (loss) (including interest income)	(926,268)	(1,117,381)	(1,007,122)	(754,917)
Net (loss) per share	(0.01)	(0.02)	(0.050)	(0.088)
Cash flow (used in) operations	(1,270,289)	(1,019,789)	(824,012)	(729,185)
Cash & cash equivalents, end of period	1,874,572	713,525	620704	991,087
Assets	7,798,400	3,961,938	1,816,319	1,276,596

(a) Restated for 2006 to reflect stock-based compensation costs that should have been capitalized to mineral properties but were previously expensed as general and administrative costs. See Note 14 to the audited financial statements for September 30, 2007.

All Net (loss) per share amounts have been adjusted to give effect to the pro forma share consolidation as defined below.

\*The Company was formed on October 1, 1997 pursuant to the Business Companies Act (Ontario) by way of Articles of Amalgamation upon the amalgamation of Sahelian Goldfields Ltd. and Sahelian Goldfields Inc. The Company consolidated its shares on a 1 for 25 basis on March 3, 2005 and changed its name to Sage Gold Inc.

## Results of Operations

### Year ended September 30, 2007

Sage's operations in fiscal 2007 were focused on exploration and financing, and the Corporation did not generate any operating revenue. Sage's net loss for 2007 decreased to \$926,268 from a loss of \$1,117,381 (as restated) for 2006, with the decreased loss being primarily due to lower expenses related to stock based compensation costs (\$14,438 in 2007; \$351,721 in 2006 as restated), offset in part by a lower income tax recovery (\$294,000 in 2007; \$501,941 in 2006). The decline in stock-based compensation costs relates to a decrease in the number of stock and compensation options granted (2,909,549 in 2007; 5,029,000 in 2006) and the change in the related weighted average valuation assumptions under the Black-Scholes option-pricing model, while the decline in the income tax recovery relates to the timing of the renunciation of the income tax benefits to the holders of the flow through shares.

### Summary of Quarterly Results

The following tables set out financial performance highlights for the last eight quarters and were prepared in accordance with Canadian GAAP.

	<b>Fourth Quarter</b> Sept 30, 2007	<b>Third Quarter</b> June 30, 2007	<b>Second Quarter</b> March 31, 2007	<b>First Quarter</b> Dec. 31, 2006
Expenses	294,427	298,316	350,057	279,553
Net income (loss) (including interest income)	(442,894)	(298,316)	92,435	(277,493)
Net income (loss) per share	(0.01)	-	-	-
Cash flow from (used in) operations	(297,829)	(313,624)	(448,970)	(209,866)
Cash & cash equivalents, end of period	1,874,572	746,165	1,030,119	648,009
Assets	7,798,400	5,686,507	5,223,714	4,894,828

	<b>Fourth Quarter</b> Sept 30, 2006(a)	<b>Third Quarter</b> June 30, 2006	<b>Second Quarter</b> March 31, 2006	<b>First Quarter</b> Dec 31, 2005
Expenses	332,838	532,645	514,042	249,980
Net income (loss) (including interest income)	(413,264)	(532,645)	78,508	(249,980)
Net income (loss) per share	-	(0.01)	-	(0.01)
Cash flow from (used in) operations	(61,430)	(560,250)	(123,571)	(274,538)
Cash & cash equivalents, end of period	713,525	1,204,695	238,653	864,895
Assets	3,961,938	4,172,829	2,670,843	2,664,602

(a) Restated for 2006 to reflect stock-based compensation costs that should have been capitalized to mineral properties but were previously expensed as general and administrative costs. See Note 14 to the audited financial statements for September 30, 2007.

### Fourth quarter ended September 30, 2007

Sage's operations in the fourth quarter of 2007 resulted in a net loss of \$442,894 as compared to a corresponding restated loss of \$413,264 for the fourth quarter of 2006. Operating expenses for the current year's quarter of \$294,427 were \$38,411 lower than the restated operating expenses for the prior year's comparable period, primarily due to decreased costs in the current year's quarter for advertising and promotion of \$39,318, and a write off in the prior year of \$91,474 related to properties that the Company had determined not to explore further. The prior year's quarterly results were restated to reflect the capitalization of certain stock-based compensation costs which had previously been expensed (see Note 14 to the audited financial statements). This restatement reduced stock-based compensation of last year's quarter by \$128,814. In addition to the variation above in expenses, the future income tax recovery for the fourth quarter of 2007 was \$57,933 lower than the corresponding figure for the fourth quarter of 2006, relating to the timing of the renunciation of the income tax benefits to the holders of the flow through shares, and the change in the related weighted average valuation assumptions under the Black-Scholes option-pricing model.

### LIQUIDITY AND CAPITAL RESOURCES

At the end of the fiscal 2007 Sage reported working capital of \$1,720,925 (\$540,751 – fiscal 2006), cash & cash equivalents of \$1,864,572 (\$210,802 – fiscal 2006), and a short term investment of \$10,000 (\$502,723 – fiscal 2006). The working capital amount at the end of fiscal 2007 is not sufficient to support the Company's operating expenses and projected exploration budget for 2008. As a result, the Company completed a non-brokered private placement of \$760,000 in October, 2007 and completed a flow-through

financing for \$5,480,000 in November, 2007 (see Subsequent Events), and has received a total of \$2,122,000 subsequent to year end on the exercise of warrants and options. The Company anticipates that this additional financing will now be sufficient to support the planned drilling programs ongoing in Canada and the U.S., and the related expenses required to manage the Company through fiscal 2008

Sage currently does not have any credit facilities with financial institutions, and does not anticipate that it will generate revenue from its activities in fiscal 2008; therefore it will rely on its ability to obtain equity financing for growth. The Company raised \$4,780,678 (net of costs) in equity financing in fiscal 2007, and approximately \$5,883,000 (net of costs) in financing in the first quarter of fiscal 2008. Management anticipates that it will be able to raise sufficient capital to further explore and develop its properties and projects in the future; the Company, however, cannot provide any assurance that equity financing will be available on terms and conditions acceptable to the Company. Refer to "Risk Considerations".

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Corporation has no off-balance sheet arrangements.

#### **TRANSACTIONS WITH RELATED PARTIES**

During fiscal 2007, management and consulting expenses of \$297,184 (fiscal 2006 - \$273,333) were paid to officers or a corporation whose shareholder is a director or officer of the Company.

During fiscal 2007, mineral property expenditures include consulting fees of \$75,446 (fiscal 2006 - \$37,225) paid to an officer of the Company.

Directors fees paid to independent directors in fiscal 2006 amounted to \$45,000 (fiscal 2006 - \$33,750).

All of the above transactions noted above were recorded at the exchange amount.

Included in accounts payable and accrued liabilities as at September 30, 2007 is \$40,930 (2006 - \$63,965) owing to these related parties.

#### **PROPOSED TRANSACTIONS**

There are no material decisions by the board of directors of the Corporation with respect to any imminent or proposed transactions that have not been disclosed herein.

#### **DISCLOSURE OF OUTSTANDING SHARE DATA**

Since December 14, 2005, Sage shares have traded on the TSX- Venture Exchange under the symbol "SGX." The Corporation is authorized to issue an unlimited number of common shares, and on December 13, 2007 there were 140,147,516 common shares issued.

As at September 30, 2007, there were 32,772,493 warrants outstanding with a weighted average exercise price of \$0.45 of which 900,000 expire in 2007, 11,908,995 expire in 2008 and 19,963,498 expire in 2009.

The following table represents the warrants outstanding at September 30, 2007.

Number of Options	Black-Scholes Value (\$)	Exercise Price (\$)	Expiry Date
8,000,000	-	\$ 1.25	March 19, 2009
900,000	27,000	0.10	November 2, 2007
5,495,000	197,820	0.15	April 18, 2008
5,513,995	198,504	0.15	April 25, 2008
2,500,000	115,000	0.15	March 30, 2009
150,000	5,700	0.20	March 30, 2009
4,364,998	200,988	0.18	July 11, 2009
3,125,000	146,416	0.22	March 1, 2009
1,786,000	103,084	0.19	September 1, 2009
937,500	44,517	0.22	March 19, 2009

As at September 30, 2007, the Company had the following stock options outstanding:

	Number of Options	Black-Scholes Value	Exercise Price	Expiry Date
Directors & Officers	860,000	\$ 172,646	\$ 0.25	April 26, 2009
Directors & Officers	140,000	28,640	0.25	May 28, 2009
Directors, Officers, Consultants & Employees	1,630,000	88,909	0.10	August 10, 2010
Consultants	260,000	20,800	0.10	October 26, 2010
Management, Directors, Employees & Consultants	1,150,000	149,500	0.17	January 27, 2011
Directors, Officers, Consultants & Employees	2,315,000	247,705	0.14	May 29, 2011
Consultants & Employees	1,090,000	99,190	0.12	March 1, 2012
Consultant	<u>300,000</u>	<u>36,600</u>	0.16	September 27, 2012
Subtotal	7,995,000	851,490		
Compensation Options	343,880	17,194	0.10	December 29, 2007
Compensation Options	384,000	18,048	0.10	April 12, 2008
Compensation Options	264,000	12,408	0.10	April 25, 2008
Compensation Options	463,749	29,680	0.14	November 24, 2008
Compensation Options	155,800	7,003	0.12	July 11, 2008
Compensation Options	500,000	27,840	0.16	March 1, 2009
Compensation Options	<u>150,000</u>	<u>8,641</u>	0.16	March 19, 2009
	<u>10,256,429</u>	<u>\$ 972,304</u>		

## COMMITMENTS

a) The Company leases its office space under a lease agreement which expires in February 2011. Annual lease payments under the agreement are as follows:

2008	\$ 44,333
2009	46,000
2010	48,333
2011	<u>20,833</u>
	\$159,499

b) Pursuant to the terms of the flow-through share agreements, the Company is in the process of complying with its flow-through contractual obligations with subscribers with respect to the Income Tax Act (Canada). As at September 30, 2007, the Company is committed to incurring approximately \$1,266,000 in qualified exploration expenditures in Canada ("CEE") by December 31, 2007 arising from the flow-through offerings. The Company expects to institute the look-back rule as defined by the Income Tax Act (Canada) which will require the Company to spend the funds within 12 months from the effective date of renunciation.

## SUBSEQUENT EVENTS

Subsequent to September 30, 2007, total proceeds of \$2,122,000 were received for the exercise of 453,315 compensation options and 7,764,999 warrants of various exercise prices and expiry dates.

On October 15, 2007, the Company announced that it had completed a non-brokered private placement financing for \$760,000 of units at \$0.14 per unit; each unit consisting of one common share and one share purchase warrant exercisable at \$0.19 in year 1 and \$0.25 in year 2. If the closing price of the Company's common shares on the TSX Venture Exchange is \$0.28 or higher for a period of a minimum of 21 days, the Company may notify the warrant holders that all unexercised warrants will expire on the 30<sup>th</sup> day after the date of notice being given by the Company.

The Company paid a finders' fee of \$45,600 in cash and issued 434,285 broker warrants, on the same terms as the subscribers' units, pursuant to the offering. All securities are subject to a four month hold period which expires on February 16, 2008.

Sage also granted 3,055,000 stock options at an exercise price of \$0.24 per share to management, directors, employees, consultants and an investor relations consultant. The options will vest over twelve months and are exercisable for a period of five years.

On November 1, 2007, Sage signed an agreement with Cobra Diamond Drilling Limited, whereby Sage agreed to advance \$500,000 in order to obtain an exclusive right to the services of a diamond drill rig for a period of twelve months, together with a first right of refusal on the services of the drill rig for a period of three years. The advance will be repaid to Sage, based on a mutually agreed upon calculation, by partial deduction from Cobra's monthly drilling invoices. The agreement calls for a minimum drilling commitment of 22,000 metres, by which time the advance will have been repaid.

On November 16, 2007, the Company completed a non-brokered private placement of 10,960,000 flow through units for gross proceeds of \$5,480,000; each unit consisting of one common share plus one-half non-flow through common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one additional common share at an exercise price of \$0.75 for a term of two years. If the Company's shares trade at or above \$0.95 per share for 21 consecutive trading days, the Company may then accelerate the expiration of the warrants upon not less than 30 days written notice by the Company, and thereafter repurchase any unexercised warrants at \$0.001 per underlying common share.

The Company paid a finders' fee of \$311,400 in cash and issued 830,400 broker warrants pursuant to the offering. The warrants have an exercise price of \$0.75 per warrant, and expire on November 16, 2009.

All shares and warrants issued under the November financing are subject to a four month hold period which expires on March 15, 2008.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada.

### **(a) Use of estimates**

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Critical accounting estimates represent estimates that are highly uncertain and for which changes in those estimates could materially impact the financial statements. The following accounting estimates are critical: the measurement of deferred income tax assets and liabilities and assessment of the need to record valuation allowances against those assets; valuation of options; and capitalized mining costs.

Costs relating to the acquisition, exploration and development of non-producing resource properties are capitalized until such time as either economically recoverable reserves are established or the properties are sold or abandoned. Based on the results at the conclusion of each phase of an exploration program, management re-evaluates properties that are not suitable as prospects to determine if future exploration is warranted, and that carrying values are appropriate. The decision to capitalize exploration expenditures and the timing of the recognition that capitalized exploration is unlikely to have future economic benefits can materially affect the reported earnings of the Corporation.

### **(b) Mineral properties**

All direct costs associated with exploration properties are capitalized as incurred. If a property proceeds to development, these costs become part of preproduction and development costs of the mine. If a property is abandoned or continued exploration is not deemed appropriate in the foreseeable future, the related costs and expenditures are written off.

The amounts capitalized at any time represent costs to be charged to operations in the future and do not necessarily reflect the present or future values of particular properties.

The recoverability of amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the property and upon future profitable production or, alternatively, upon the Company's ability to dispose of its interest on an advantageous basis, all of which are uncertain.

### **(c) Stock-based compensation**

The Company has a stock option plan to provide incentive for the directors, officers, employees, consultants and service providers of the Company. The maximum number of shares which may be set aside for issuance under the plan is 10% of the outstanding common shares. The fair value of any stock options granted to eligible parties is recorded as an expense over the vesting period with a corresponding increase recorded to contributed surplus. The fair value of the stock-based compensation is determined using the Black-Scholes option pricing model and management's assumptions. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

### **(d) Income taxes**

Income taxes are calculated using the asset and liability method of tax accounting. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and on unclaimed losses carried forward and are measured using the substantially enacted tax rates that will be in effect when the differences are

expected to reverse or losses are expected to be utilized. A valuation allowance is recognized to the extent that the recoverability of future income tax assets is not considered more likely than not.

**(e) Flow-Through Shares**

Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective tax rate) thereby reducing share capital.

If a Company has sufficient unused tax losses and deductions ("losses") to offset all or part of the future income tax liabilities and no future income tax assets have been previously recognized on such losses, a portion of such unrecognized losses (losses multiplied by the effective corporate tax rate) is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

**(f) Foreign currency translation**

Assets and liabilities of integrated foreign subsidiary operations and foreign currency denominated assets and liabilities of Canadian operations are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. The revenues and expenses, except amortization, are converted at the average exchange rates for the year. Amortization is converted at the same rate as the related assets. Gains or losses on translation are expensed. Included in accounts payable is \$39,098 (2005 - \$291) denominated in U.S. dollars.

**(g) Changes in Accounting Policies**

Financial instruments-recognition and measurement.

Section 3855 of the CICA handbook prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. The section requires that:

- i. All financial assets be measured at fair value on initial recognition and certain financial assets be measured at fair value subsequent to initial recognition.
- ii. All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method.
- iii. All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

**RISK CONSIDERATIONS**

**Nature of Mineral Exploration and Development Projects**

Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that exploration efforts will continue to be successful. Success in establishing reserves is a result of a number of factors, including the quality of management, the Company's level of geological and technical expertise, the quality of land available for exploration and other factors. Once mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling, to determine the optimal metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities.

Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of resources or reserves. Whether a resource deposit will ultimately be commercially viable depends on a number of factors, including the particular attributes of the deposit such as the deposit's size; its proximity to existing infrastructure; financing costs and prevailing prices for the applicable minerals. Also of key importance are government regulations, including those related to prices,

taxes, royalties, land tenure, land use, the importing and exporting of resources and production plant and equipment, and environmental protection. Development projects have no operating history upon which to base estimates of future cash operating costs. Particularly for development projects, resource estimates and estimates of cash operating costs are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques, and feasibility studies, which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the ore body, expected recovery rates of minerals from the ore, estimated operating costs, anticipated climatic conditions and other factors. As a result, it is possible that actual cash operating costs and economic returns could differ significantly from those estimated for a project before production. It is not unusual for new mining operations to experience problems during the start-up phase, and delays in the commencement of production often can occur.

Sage's business of exploring for mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future, and Sage common shares should be considered speculative.

There can be no assurance that any funding required by the Company will become available to it, and if so, that it will be offered on reasonable terms, or that the Company will be able to secure such funding through third party financing or cost sharing arrangements. Furthermore, there is no assurance that the Company will be able to secure new mineral properties or projects, or that they can be secured on competitive terms.

## **DISCLOSURE CONTROL AND PROCEDURES**

The Company's Chief Executive Officer and Chief Financial Officer are responsible for certifying certain matters relating to the Company's disclosure controls and procedures; being the internal systems, controls and procedures that have been established to provide reasonable assurance that material information used internally and disclosed externally is reliable and timely. The Chief Executive Officer and the Chief Financial Officer have designed and evaluated the Company's disclosure controls and procedures, and have concluded that the disclosure controls and procedures provide these assurances.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Company's Chief Executive Officer and Chief Financial Officer are responsible for certifying that appropriate internal controls over financial reporting have been designed which provide reasonable assurance of the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Chief Executive Officer and the Chief Financial Officer have evaluated the design of the Company's internal controls over financial reporting as of the end of the period covered by the annual filings, and have concluded that the design is sufficient to provide such reasonable assurance.

During fiscal 2007, there were no changes in the Company's internal control over financial reporting that materially affected, or are likely to materially affect, the Company's internal control over financial reporting.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on the Internet at the SEDAR website located at [www.sedar.com](http://www.sedar.com) and at [www.sagegoldinc.com](http://www.sagegoldinc.com).

### **Additional Disclosure for Venture Issuers Without Significant Revenue**

Discussion regarding the Company's Share Capital and Capital Deficiency may be found under Note 5 of the Consolidated Financial Statements for fiscal 2007.

## **FORWARD-LOOKING INFORMATION**

Certain information in this MD&A contains management's assessment of the Company's future plans and may constitute "forward-looking information" under applicable securities laws. Such information may involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance, achievements, or opportunities expressed or implied by such forward-looking information. This forward-looking information includes estimates, forecasts and statements as to management's and others' expectations with respect to, among other things, exploration, development and production strategies and the outlook for the Company and the precious metals and base metals exploration and mining industry. When used in this MD&A, such information uses words such as "may", "will", "estimate", "expect", "anticipate", "believe", "intend", "plan", "could" and other similar terminology. This information reflects current expectations regarding future events and operating performance and speaks only as of the date of this MD&A. Forward-looking information involves significant risks and uncertainties, should not be read as a guarantee of future performance or results, and will not necessarily be an accurate indication of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information, including, but not limited to, the factors discussed under "Risk Considerations". Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, the Company cannot assure that actual results will be consistent with this forward-looking information. This forward-looking information is made as of the date of this MD&A, and the Company assumes no obligation to update or revise it to reflect new events or circumstances.