

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

**FISCAL YEAR 2010 – YEAR ENDED SEPTEMBER 30, 2010**

**PREPARED AS OF DECEMBER 15, 2010**

This management discussion and analysis (“MD&A”) of results and operations and financial condition of Sage Gold Inc. (“Sage” or “the Company”) constitutes management’s review of the operating and financial results of the Company for the fourth quarter and the year ended September 30, 2010. The MD&A supplements, but does not form part of, the consolidated financial statements of the Company and should be read in conjunction with Sage’s audited consolidated financial statements and related notes for the fiscal years ended September 30, 2010 and 2009. The Company prepares and files its financial statements in accordance with Canadian generally accepted accounting principles (“GAAP”), presented in Canadian dollars. Sage is listed on the TSX Venture Exchange and as such, the following MD&A is prepared in accordance with requirements for venture issuers.

For purposes of preparing this MD&A, management in conjunction with the Board of Directors consider the materiality of information. Information is considered material if; (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Sage common shares (“Common Shares”); or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management in conjunction with the Board of Directors evaluate materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations is available on Sage’s website at [www.sagegoldinc.com](http://www.sagegoldinc.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

The Company is a reporting issuer under applicable securities legislation in the provinces of British Columbia, Alberta and Ontario and its outstanding Common Shares are listed on the Toronto Venture Stock Exchange under the symbol “SGX”.

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as “forward-looking statements”). These statements relate to future events or the Company’s future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates”, or “believes”, or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The

forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the potential of Sage's properties to contain economic precious and base metal deposits; the Company's ability to meet its working capital needs at the current level for the twelve-month period ending September, 2011; the plans, costs, timing and capital for future exploration and development of Sage's property interests, including the costs and potential impact of complying with existing and proposed laws and regulations; management's outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; prices and price volatility for precious and base metals; and general business and economic conditions.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. These risks, uncertainties and other factors include, but are not limited to, precious and base metal deposits, price volatility, changes in debt and equity markets, timing and availability of external financing on acceptable terms, the uncertainties involved in interpreting geological data and confirming title to the Company's properties, the possibility that future exploration results will not be consistent with Sage's expectations, increases in costs, environmental compliance, and changes in environmental and other local legislation and regulation, interest rate and exchange rate fluctuations, changes in economic and political conditions and other risks involved in the precious and base metal and development industry, as well as those risk factors listed in the "Risks and Uncertainties" section below. Readers are cautioned that the foregoing list of factors is not exhaustive of the factors that may affect the forward-looking statements. Actual results and developments are likely to differ, and may differ materially from those expressed or implied by the forward-looking statements contained in the MD&A. Such statements are based on a number of assumptions about the following: the availability of financing for Sage's exploration and development activities; operating and exploration costs; the Company's ability to retain and attract skilled staff; timing of the receipt of regulatory and governmental approvals for exploration projects and other operations; market competition; and general business and economic conditions.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Sage's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publically or otherwise any forward-looking statements, whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

## **OVERALL PERFORMANCE**

### **Overview of Operations**

Sage is a mineral exploration and development company which has primary interests in exploration and development properties in Ontario. The Company's main focus is the development of resources through exploration and acquisition that can be developed into near term production in the Americas. Its main properties are the Clavos Gold mine in Timmins and

its exploration properties in the Beardmore-Geraldton Gold camp. 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.

During fiscal 2011 the Company's programs will focus on the Clavos property located in the Timmins Mining District in Northeastern Ontario and the exploration properties in the Beardmore- Geraldton area of Ontario, which will be partially financed through the recently completed \$812,000 flow-through financing. *See Financing Activities.*

## **CORPORATE OBJECTIVE**

The Company's business objective is to discover precious and/or base metal deposits on a property it has an interest in. Sage is in the process of exploring its properties and has not yet determined whether the properties contain an economic mineral deposit. The recoverability of the amounts shown for interest in mineral properties and deferred exploration expenditures is dependent upon: the ability of the Company to obtain the necessary financing to complete exploration and development; government policies and regulations; and future profitable production or proceeds from disposition of such properties.

To date the Company has not discovered an economic deposit. While discovery of ore-bearing structures may result in substantial rewards, it should be noted that few properties that are explored are ultimately developed into producing mines.

Sage may also seek to acquire additional mineral resource properties. The Company notes that although the exploration of its existing projects is positive, mineral exploration in general is uncertain. As a result, the Company believes that by acquiring additional mineral properties, it is able to better minimize overall exploration risk. In conducting its search for additional mineral properties, the Company may consider acquiring properties that it considers prospective based upon criteria such as the exploration history of the properties, their location, or a combination of these and other factors. Risk factors to be considered in connection with the Company's search for and acquisition of additional mineral properties include the significant expenses required to locate and establish mineral reserves; the fact that expenditures made by the Company may not result in discoveries of commercial quantities of minerals; environmental risks; risks associated with land title; the competition faced by the Company; and the potential failure of the Company to generate adequate funding for any such acquisitions. *See "Risk Considerations".*

## **SHARE CAPITAL CONSOLIDATION**

On March 31, 2010 the Company's shareholders approved the share consolidation of the issued and outstanding common shares of the Company on the basis of one (1) post-consolidation common share for every ten (10) pre-consolidation common shares. The consolidation became effective May 14, 2010. The share consolidation has been reflected in these consolidated financial statements and all applicable references to the number of shares and per share information have been restated.

## MINERAL PROPERTIES

The following is a list of the Company's projects and properties as at December 15, 2010.

<i>Ontario</i>	<i>Location</i>	<i>Sage interest</i>	<i>Acres</i>
Beardmore-Geraldton Gold camp	Beardmore and Geraldton Mining Claims	100%	70,000
Beardmore-Geraldton Gold camp	Beardmore and Geraldton Patented Claims	100%	719
Beardmore-Geraldton Gold camp	Beardmore and Geraldton Leased Claims	100%	1,822
Beardmore-Geraldton Gold camp	Beardmore and Geraldton Mining Claims	Option 100%	13,080
Beardmore-Geraldton Gold camp	Beardmore and Geraldton Leased Claims	Option 100%	1,065
Timmins Gold camp (Clavos)	Timmins Mining District Leases	Option 60%	3,964
Timmins Gold camp (Clavos)	Timmins Mining District Claims	Option 60%	2,311

<i>Quebec</i>			
Chibougamau Barlow Fancamp	Barlow /Fancamp Townships	100%	356
Malartic	Malartic Township	100%	225
Fort Chimo Gold	Rougemont/ Chute de la Pyrite Townships	75%	1,344

## Property Transactions

### *Clavos project*

On February 9, 2010 the Company entered into an Option Agreement ("Option") with St. Andrew Goldfields on the Clavos property located in the Timmins Mining District in Northeastern Ontario, within the Abitibi Greenstone belt.

Sage has the option to earn a 60% undivided interest in the property. The Option will be deemed to be fully exercised upon Sage incurring exploration expenditures on the property, issuing shares to St. Andrew Goldfields and making cash payments during the term of the three year Option period as follows:

- Sage issued 500,000 Sage shares (50,000 shares post-consolidation) and made a cash payment of \$25,000 pursuant to Exchange approval of the Option Agreement on February 12, 2010.
- Sage shares having an aggregate market value of \$105,000 and \$105,000 in cash over three years from the effective date of the Option Agreement.
- \$500,000 expenditures in the first year within a total of \$3.0 million exploration expenditures for the three year period.

Upon being vested with the 60% interest in the Property, Sage and St. Andrew Goldfields shall enter into a Joint Venture Agreement (“Agreement”) and the further development of the property shall be governed by the Agreement. Without limitation, the Agreement shall provide that, in the event that St. Andrew Goldfield’s interest in the Property is diluted at any time to less than 10%, St. Andrew Goldfield’s interest in the property will convert to a 2% net smelter royalty (“NSR”).

### ***Borealis project***

On March 5, 2010 Sage and Gryphon Gold Corporation (“Gryphon”) signed a binding Letter of Intent (“LOI”) pursuant to which Gryphon agreed to grant Sage the right to earn a 50% undivided interest in the Borealis gold project located in the Walker Lane mineral belt of southwest Nevada. Concurrent with the terms of the LOI Sage made US \$100,000 cash payment. In addition Sage subscribed for US \$200,000 Gryphon units on June 16, 2010. Each unit comprised of one common share and one-half of a share purchase warrant. The Company also issued 231,426 Sage shares (valued at \$69,428) plus 231,426 warrants (valued \$56,468) exercisable at \$0.44 for a term of 2 years from May 7, 2010

On August 17, 2010 Sage and Gryphon announced that they had mutually agreed to terminate the Option Agreement. Accordingly, all costs related to the property, aggregating \$386,579, were written off.

### ***Beardmore-Geraldton Gold camp properties***

During the first quarter of fiscal 2010 the Company acquired eleven additional properties, aggregating 12,064 acres, in the Beardmore-Geraldton Gold camp. These properties are either contiguous to or in close proximity to Sage’s existing properties in the camp. Sage paid \$101,000 in cash and issued an aggregate of 1,435,000 shares as the initial payments for the optioning of the properties.

### ***Kerrs Gold property***

On December 23, 2009, Sheltered Oak Resources Inc. (“SOR”), a wholly-owned subsidiary of Sheltered Oak Resources Corp. (“Sheltered Oak”), and Sage closed an agreement whereby SOR purchased a 100% interest in Sage’s unpatented claims and leasehold interests in the Larder Lake Mining District in Kerrs Township in the Abitibi Greenstone Belt of Ontario.

In consideration thereof, Sage received 2 million common shares of Sheltered Oak (valued at \$280,000) and \$400,000 in cash. Sage received a 2% Net Smelter Royalty on the Kerrs Gold Property of which 1% can be purchased from Sage by Sheltered Oak at any time for \$500,000. Sheltered Oak will also pay to Sage an advance royalty payment of \$125,000, payable in five annual instalments with the first payment due December 22, 2011.

A write down of \$694,167 was charged to the Statement of Loss in the fourth quarter of fiscal 2009 to reflect the value of the proceeds of the sale.

## **Exploration Activities**

### ***Clavos – Timmins Mining District***

Subsequent to signing the Option Agreement with St. Andrew Goldfields in February of 2010 Sage has been conducting a technical review on the property. Work to date indicates that 11,338 metres of underground drilling was completed subsequent to the October 2006 resource estimate out of a total amount of underground drilling of approximately 41,000 metres. Sage's independent consulting geologists Scott Wilson Roscoe Postle Associates Inc. and Glider Geoservices have selected underground drill holes that were completed after the October 2006 resource estimate was completed and that have not been affected by subsequent mining activities. This drilling was completed as four series of underground holes from different locations in the mine.

Several of these holes were designed to test a portion of the unmined hanging wall resource below the second level. The prior gold resource was reported for the project by St Andrew Goldfields in October 2006. The resource was calculated by Scott Wilson Roscoe Postle Associates Inc. and supported by a NI43-101 report filed on SEDAR by St Andrew Goldfields.

Of the holes which Sage has reports on, 7 holes have the potential to upgrade inferred resources into the indicated category ("Resource Infill") and 23 holes have the potential to add new resources ("Resource Addition"). Refer to [www.sagegoldinc.com](http://www.sagegoldinc.com) for a longitudinal section detailing the location of sample composites exceeding 3g/t Au.

Existing infrastructure in place at the Clavos property includes underground ramp access to the 300 metre level, underground levels developed every 25 metres, power to site, surface ventilation system and a water management facility. The existing mining permit is in good standing until 2019.

The Company has commenced the plan to drill up to 5,000 metres on the Clavos property during the fall and winter of 2010, and to complete a new NI43-101 resource estimate based on all of the existing underground and surface holes and the results of ongoing drilling. The original NI 43-101 resource estimate on the Clavos project was prepared by Scott Wilson RPA and Associates in October 2006.

The technical content of this report has been reviewed and approved by Sage's consulting geologist David Gliddon P. Geo. of Glider Geoservices, who is a qualified person as defined by NI 43-101. Assays reported in this report were processed at the then wholly owned St. Andrew Goldfields lab at the Stock Mill. The method used was Ore Grade Au 30g sample using Fire

assay with atomic absorption finish.

## **Financing Activities**

On December 18, 2009, the Company completed a non-brokered private placement of 1,340,000 flow-through units for gross proceeds of \$804,000; each unit consisting of one common share plus one 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 \$1.00 during the first twelve months from closing, and of \$1.20 for a period of twelve months following the first anniversary date of closing. If the Company's shares trade at or above \$1.80 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.

The Company paid a finders' fee of \$64,920 in cash and issued 107,200 broker warrants pursuant to the offering. The warrants entitle the holder to purchase common share units at a price of \$0.60 per unit. Each common share unit consists of one common share in the capital of the Company and one warrant to purchase common shares on the same terms as the warrants. All shares and warrants issued under the financing are subject to a four month hold period which expired on April 19, 2010.

During the second fiscal quarter ended March 31, 2010 the Company issued 193,258 common shares, valued at \$96,629, relating to fifteen of the Beardmore-Geraldton Gold camp property agreements. In accordance with the Option Agreement with St. Andrew Goldfields (see "Acquisitions"), Sage issued 50,000 common shares valued at \$25,000.

During the third fiscal quarter ended June 30, 2010 the Company closed non-brokered private placements of 3,607,546 common share units at \$0.22 per unit for total proceeds of \$793,660. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable to acquire one common share of the Company at \$0.33 for a period of two years after the closing date.

The Company paid finders' fees of \$41,730 in cash together with 280,603 compensation options on the same terms and conditions as the subscribers' warrants.

All these securities are subject to a four month hold period, which expired in tranches on October 2, 2010 and October 12, 2010.

On October 15, 2010, the Company completed a non-brokered private placement of 3,690,908 flow-through units for gross proceeds of \$812,000; each unit consisting of one common share plus one-half of one 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 \$0.33 for a period of two years from the date of closing. If the Company's shares trade at or above \$0.44 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.

The Company paid a finders' fee of \$56,469 in cash and issued 256,676 broker warrants pursuant to the offering. The warrants entitle the holder to purchase common share units at a price of \$0.22 per unit. Each common share unit consists of one common share in the capital of the Company and one-half of one warrant to purchase common shares on the same terms as

the warrants. All shares and warrants issued under the financing are subject to a four month hold period which expires on February 18, 2011.

On October 15, 2010, the Company completed a non-brokered private placement of 4,027,778 units for gross proceeds of \$725,000; each unit consisting of one common share plus one-half of one 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 \$0.28 for a period of two years from the date of closing. If the Company's shares trade at or above \$0.40 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.

The Company paid a finders' fee of \$36,360 in cash and issued 157,600 broker warrants pursuant to the offering. The warrants entitle the holder to purchase common share units at a price of \$0.18 per unit. Each common share unit consists of one common share in the capital of the Company and one-half of one warrant to purchase common shares on the same terms as the warrants. All shares and warrants issued under the financing are subject to a four month hold period which expires on February 18, 2011.

On October 25, 2010, the Company completed a non-brokered private placement of 4,416,666 units for gross proceeds of \$795,000; each unit consisting of one common share plus one-half of one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one additional common share at an exercise price of \$0.28 for a period of two years from the date of closing. If the Company's shares trade at or above \$0.40 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.

The Company paid a finders' fee of \$62,891 in cash and issued 349,394 broker warrants pursuant to the offering. The warrants entitle the holder to purchase common share units at a price of \$0.18 per unit. Each common share unit consists of one common share in the capital of the Company and one-half of one warrant to purchase common shares on the same terms as the warrants. All shares and warrants issued under the financing are subject to a four month hold period which expires on February 26, 2011.

### **Significant Accounting Estimates**

The preparation of the Company's audited consolidated annual financial statements requires management to make certain estimates that affect the amounts reported in the financial statements. The accounting estimates considered to be significant are the valuation of the Company's resource assets, stock-based compensation and warrants.

The policy of capitalizing exploration costs to date does not necessarily relate to the future economic value of the exploration properties. The valuation of mineral resource properties is dependent entirely upon the discovery of economic mineral deposits.

Sage uses the Black-Scholes option-pricing model to determine the fair value of options and warrants. The main factor affecting the estimates of stock-based compensation and warrants is the stock price volatility used. The Company uses historical price data and comparables in the estimate of future volatility.

Other items requiring estimates for the financial statements are sundry receivables, accounts payable and accrued liabilities and future income taxes. Changes in the accounting estimates in these items may have a material impact on the financial position of the Company.

### **Selected Annual Information**

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

	2010	2009	2008
	(1)	(2)	(3)
Expenses	\$2,442,022	\$4,536,637	\$3,596,299
Net loss	(2,311,482)	(5,147,247)	(2,803,817)
Net loss per share (a)	(0.08)	(0.29)	(0.20)
Cash flow from (used in) operations	(1,297,293)	(1,401,087)	(2,153,816)
Cash & cash equivalents, end of year	191,041	545,065	356,186
Assets	18,312,292	18,510,905	16,244,860

(a) Loss per share restated to reflect the one for ten share consolidation on May 12, 2010.

Notes:

- (1) Net loss of \$2,311,482 relates primarily to professional fees of \$581,183, write-off of mineral properties of \$386,579, investor relations and corporate development of \$276,025, management fees of \$217,000 and loss on prepayment of debt of \$100,000. Other expenses related to general working capital purposes.
- (2) Net loss of \$5,147,247 relates primarily to write-off of mineral properties of \$2,550,119, professional fees of \$387,636, investor relations and corporate development of \$340,341, management fees of \$223,100, flow-through tax penalty of \$143,253, and directors' and management stock based compensation of \$86,541. Other expenses related to general working capital purposes.
- (3) Net loss of \$2,803,817 relates primarily to write-off of mineral properties of \$527,216, directors' and management stock based compensation of \$907,163, professional fees of \$590,789, and management fees of \$208,112; offset in part by a future income tax recovery of \$671,000. Other expenses related to general working capital purposes.

### **Results of Operations**

#### **Year ended September 30, 2010**

Sage's operations in fiscal 2010 were focused on exploration and financing, and the Corporation did not generate any operating revenue. Sage's net loss for 2010 decreased to

\$2,442,022 from a loss of \$5,147,247 for 2009, with the decreased loss being primarily due to the deficit on the acquisition of Consolidated Puma Resources Corp.(nil in 2010; \$1,750,751 in 2009), lower write-offs of mineral properties ( \$386,579 in 2010; \$2,550,119 in 2009) and a loss on settlement of debt (\$100,000 in 2010; nil in 2009), offset in part by a lower future income tax recovery (\$130,149 in 2010; \$1,128,380 in 2009) resulting from the smaller pre-tax loss in fiscal 2010 over fiscal 2009.

The deficit on the acquisition of Consolidated Puma Resources Corp. arose in fiscal 2009 as detailed in Note 5 to the consolidated financial statements for the year ended September 30, 2010. The deficit represents the excess value of the shares issued by Sage, together with the costs of acquisition, over the value of the related net assets acquired. The decrease in the write-offs of mineral properties relates to the decision by the Company in fiscal 2010 to write off the total costs incurred on the Borealis Gold Project upon the termination of the definitive option agreement with Gryphon Gold. In fiscal 2009 Sage decided to write off its remaining U.S. property asset values based on the decision by management to focus available exploration funds on the Beardmore Geraldton Gold camp properties, as well as the write down of the Kerrs property to the reflect the proceeds of sale. The loss on settlement of debt in fiscal 2010 arose when Sage and Sheltered Oak agreed to reduce the cash component of the Kerrs property transaction from \$500,000 to \$400,000, when Sheltered advanced the date of the required payment to August 2010 from December 2010. General and administrative expenses in fiscal 2010 were \$1,931,283 compared to \$1,964,794 for fiscal 2009; with an increase in professional fees (\$581,183 in 2010; \$387,636 in 2009) being largely offset by a decrease in flow-through penalty taxes (\$9,956 in 2010; \$143,253 in 2009). The increase in professional fees related primarily to increased costs for assistance in advisory fees related to financial and operational matters; the decrease in flow-through tax penalty relates to the timing of the raising and subsequent spending of flow-through financing funds.

During the current year a credit of \$42,588 (charge of \$33,625 in 2009) was recorded as Other Comprehensive Loss in accordance with CICA Handbook Section 1530, representing the increase in value of the investment in the shares of Sheltered Oak Resources Corp. and Gryphon Gold Corporation as noted in Notes 6 (viii) and (x) respectively of the consolidated financial statements for Sage Gold as at September 30, 2010.

### ***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, 2010 (1)	<b>Third Quarter</b> June 30, 2010 (2)	<b>Second Quarter</b> March 31, 2010 (3)	<b>First Quarter</b> Dec. 31, 2009 (4)
Expenses	\$479,225	\$932,186	\$477,918	\$522,693
Net loss	(379,075)	(932,186)	(477,918)	(522,303)
Net loss per share (a)	(0.01)	(0.03)	(0.02)	(0.02)
Cash flow from (used in) operations	52,003	(335,447)	(83,798)	(930,051)
Cash & cash equivalents, end of period	191,041	295,955	309,418	872,027
Assets	18,312,292	18,078,170	18,004,498	18,246,401
	<b>Fourth Quarter</b> Sept. 30, 2009 (5)	<b>Third Quarter</b> June 30, 2009 (6)	<b>Second Quarter</b> March 31, 2009 (7)	<b>First Quarter</b> Dec. 31, 2008 (8)
Expenses	\$2,216,286	\$1,227,283	\$528,847	\$564,221
Net loss	(2,836,841)	(1,227,283)	(526,953)	(556,170)
Net loss per share (a)	(0.16)	(0.07)	(0.03)	(0.03)
Cash flow from (used in) operations	(163,557)	(109,813)	(414,588)	(713,129)
Cash & cash equivalents, end of period	545,065	91,480	90,524	224,755
Assets	18,510,905	17,202,724	18,193,797	18,740,508

(a) Loss per share restated to reflect the one for ten share consolidation on May 12, 2010.

Notes:

- (1) Net loss of \$379,075 relates primarily to professional fees of \$185,715, management fees of \$54,250, investor relations and corporate development of \$36,880 and write-off of mineral properties of \$33,726. Other expenses related to general working capital purposes.
- (2) Net loss of \$932,186 relates primarily to write-off of mineral properties of \$352,853, professional fees of \$121,845, loss on prepayment of debt of \$100,000, investor relations and corporate development of \$66,642, and management fees of \$54,250. Other expenses related to general working capital purposes.
- (3) Net loss of \$477,918 relates primarily to investor relations and corporate development of \$105,534, professional fees of \$94,078, and management fees of \$54,250. Other expenses related to general working capital purposes.
- (4) Net loss of \$522,303 relates primarily to professional fees of \$179,545, investor relations and corporate development of \$66,969, and management fees of \$54,250. Other expenses related to general working capital purposes.
- (5) Net loss of \$2,836,841 relates primarily to the deficit on the acquisition of Consolidated Puma Resources Corp. of \$1,759,794, write-off of mineral properties of \$1,630,903, professional fees of \$124,735, investor relations and corporate development of \$133,073, and management fees of \$60,350; offset in part by a future

income tax recovery of \$1,128,380. Other expenses related to general working capital purposes.

- (6) Net loss of \$1,227,283 relates primarily to write-off of mineral properties of \$843,047, professional fees of \$88,182, investor relations and corporate development of \$63,269, and flow-through tax penalty of \$26,464. Other expenses related to general working capital purposes.
- (7) Net loss of \$526,953 relates to professional fees of \$81,083, write-off of mineral properties of \$76,169, investor relations and corporate development of \$62,163, management fees of \$54,250, and flow-through tax penalty of \$19,427. Other expenses related to general working capital purposes.
- (8) Net loss of \$556,170 relates primarily to flow-through tax penalty of \$103,418, professional fees of \$93,636, investor relations and corporate development of \$81,836, management fees of \$54,250, and directors' and management stock-based compensation of \$24,953. Other expenses related to general working capital purposes.

#### ***Fourth quarter ended September 30, 2010***

Sage's operations in the fourth quarter of 2010 resulted in a net loss of \$379,075 as compared to a corresponding loss of \$2,836,841 for the fourth quarter of 2009, with the decreased loss being primarily due to the deficit on the acquisition of Consolidated Puma Resources Corp. (nil in 2010; \$1,759,794 in 2009), lower write-offs of mineral properties (\$33,726 in 2010; \$1,630,903 in 2009), lower general and administrative expenses (\$469,386 in 2010; \$573,979 in 2009), offset in part by a smaller future income tax recovery (\$130,149 in 2010; \$1,128,380 in 2009). The mineral properties written off in the current year's quarter related to costs on the Borealis property which arose after the third quarter write-off, compared to the prior year's write-off in the value of the Kerrs property to reflect the subsequent sale proceeds and the Gold Hill property in Arizona on which the Company decided not to conduct further exploration. The decline in fourth quarter comparative general and administration costs relates primarily to lower investor relations and corporate development costs.

#### **Liquidity and Capital Resources**

The Company has no current sources of revenue and relies primarily on the issuance of common shares to generate funds required to advance its property exploration and fund its administrative overhead. As at September 30, 2010, the Company had cash of \$191,041 (September 30, 2009 - \$545,065), short term investments of \$20,000 (September 30, 2009 - \$1,520,000) and a working capital deficit of \$232,036 (September 30, 2009 - working capital of \$1,524,382). The working capital at the end of fiscal 2010 is not sufficient to support all of the Company's operating expenses for fiscal 2011; additional financing will be required to enable the Company to complete its projected exploration budget and cover its overhead costs for the balance of fiscal 2011. *See Subsequent Events.*

Cash used in operations was \$1,297,293 for the year ended September 30, 2010 compared to a use of cash of \$1,401,087 for the prior year. The decrease in the current year's period is due to the positive change in net non-cash working capital.

Cash used in investing activities was \$735,626 for the year ended September 30, 2010, compared to \$4,799,712 for the prior year, relating principally to the redemption/purchase of \$1.5 million of short term investments, and a reduction in mineral property additions of \$1,239,465.

The Company raised net financing proceeds of \$1,678,895 during fiscal 2010 through the issuance of 6,434,048 common shares, as compared to raising net financing proceeds of \$3,779,493 in fiscal 2009 through the issuance of 3,761,851 common shares.

The Company relies on external financings to generate capital. The Company continues to generate net losses. As at the date of this report, the Company has 43,494,358 Common Shares issued and outstanding, 11,829,709 warrants outstanding which would raise \$4,496,170 if exercised in full for unexpired warrants as of the date of this report, and 5,328,123 stock options and broker options outstanding which would raise \$6,235,360 if exercised in full. The timing of the exercising of warrants and options is dependent upon the warrant and option holders and the related exercise price compared to the Company's stock value at the date of exercise.

Other assets as at September 30, 2010 relate primarily to the harmonized sales tax receivable from the federal government.

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 2011; therefore it will rely on its ability to obtain equity financing for growth. The Company raised \$1,678,895 (net of costs) in equity financing in fiscal 2010 and \$3,779,493 (net of costs) in fiscal 2009. Management anticipates that it can raise sufficient capital to further explore and develop its properties in the future. However, the Company cannot provide any assurance that financing will be available, and on terms and conditions that would be acceptable to the Company. In the event the Company is unable to raise sufficient capital to finance the non-exploration segment of the business, primarily the administrative costs, the Company's strategy would be to pare back related expenses to match the related capital raised.

The consolidated financial statements as at September 30, 2010 have been prepared using Canadian GAAP applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business. The consolidated financial statements do not reflect the adjustments to the carrying value of the assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material. See Note 1 (b) to the consolidated financial statements.

Refer to "Risk Management".

### **Off-Balance Sheet Arrangements**

As of the date of this filing, Sage does not have any off balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

## **Proposed Transactions**

There are no proposed transactions of a material nature being considered by the Company, other than as disclosed in this filing.

## **Environmental Contingency**

The Company's exploration and development activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and generally becoming more restrictive. At September 30, 2010, the Company does not believe that there are any significant environmental obligations requiring expenditures in the immediate future.

## **Transactions with Related Parties**

During fiscal 2010, management and consulting expenses of \$378,250 (fiscal 2009 - \$350,600) were paid or accrued to officers or a corporation whose shareholder is a director or officer of the Company.

During fiscal 2010, mineral property expenditures include consulting fees of \$nil (fiscal 2009 - \$27,465) paid or accrued to an officer of the Company.

Directors fees paid or accrued to independent directors in fiscal 2010 amounted to \$49,180 (fiscal 2009 - \$45,820).

All of the above transactions noted above were in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the parties.

Included in accounts payable and accrued liabilities as at September 30, 2010 is \$140,097 (fiscal 2009- \$31,436) owing to these related parties.

## **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 15, 2010 there were 43,494,358 common shares issued. *See Subsequent Events.*

As at September 30, 2010, there were 5,762,033 warrants outstanding with a weighted average exercise price of \$0.94; 1,380,000 of which expire in 2010, 1,840,925 of which expire in 2011, and 2,541,108 expire in 2012.

The following table represents the warrants outstanding as at September 30, 2010.

Number of Options	Black-Scholes Value (\$)	Exercise Price (\$)	Expiry Date
1,280,000	499,200	2.00	October 17, 2010
100,000	39,000	2.00	October 25, 2010
500,925	160,296	1.00	July 15, 2011
1,340,000	294,800	1.00	December 18, 2011
231,426	56,468	0.44	May 7, 2012
1,276,500	234,365	0.33	June 1, 2010
527,273	94,435	0.33	June 11, 2012
505,909	77,050	0.33	July 23, 2012

Subsequent to September 30, 2010, the Company issued 6,067,677 warrants relating to share capital financings which closed October 18, 2010 and October 25, 2010. *See Financing Activities*. As of the date of this report there are a total of 10,449,710, as 1,380,000 warrants outstanding as at September 30, 2010 expired unexercised.

As at September 30, 2010, there were a total of 2,007,070 stock options outstanding and 658,883 compensation stock options outstanding. The options have the following terms and conditions:

Number of Options	Weighted Average Exercise Price (\$)	Year of Expiration
219,100	1.99	2010
665,300	2.64	2011
956,103	2.41	2012
181,210	2.28	2013
644,240	0.96	2014

Subsequent to September 30, 2010, the Company issued 763,670 compensation options relating to share capital financings which closed October 18, 2010 and October 25, 2010. *See Financing Activities*. As of the date of this report there are a total of 1,204,953 compensation options outstanding, as 217,600 compensation options outstanding as at September 30, 2010 expired unexercised.

On November 15, 2010 the Company issued 1,900,000 stock options to directors, officers, employees and consultants. These options expire in November 2015 and are exercisable at \$0.25 per option. Vesting terms of the issue were one-third immediate, one-third twelve months hence, and one-third after twenty-four months.

### Commitments

a) The Company leases its office space under a lease agreement which expires in February 2011. Remaining lease payments under the agreement total \$20,833.

b) Pursuant to the terms of the flow-through share agreements with subscribers with respect to the Income tax Act (Canada), as at September 30, 2010, the Company was committed to incurring approximately \$221,288 in qualified exploration expenditures in Canada (“CEE”) by December 31, 2010. This commitment was fulfilled by the date of this report.

## **Financial Instruments**

The fair value of cash and cash equivalents, short term investments and accounts payable and accrued liabilities approximates their carrying value due to the short-term maturity or to current market rates.

As at September 30, 2010, the Company’s exposure to interest rate risk is summarized as follows:

Cash and cash equivalents	Variable interest rate
Short term investment	Variable interest rate
Accounts payable and accrued liabilities	Non-interest bearing

## **Subsequent Events**

Subsequent to year-end, the Company announced the closing of a non-brokered private placement of 8,444,444 units at \$0.18 per unit, each unit consisting of one common share plus one-half common share purchase warrant for gross proceeds of \$1,520,000. The Company also closed a non-brokered private placement of 3,690,908 flow-through units at \$0.22 per unit, each unit consisting of one common share plus one-half of one non flow-through purchase warrant for gross proceeds of \$812,000. *See Financing Activities.*

## **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. These estimates are reviewed periodically and, as adjustments become necessary, they are made in the period in which they become known.

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. If the estimated fair value of a property is deemed to be less than that of the carrying value of the property, a provision for impairment is recorded based on the undiscounted estimated future cash flows. Fair value has been defined by the Company as the estimated future cash flows, on an undiscounted basis. 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 Company's policy is to defer expenditures related to acquisition, exploration and development of its exploration properties. If an exploration property is abandoned, continued exploration is not planned in the foreseeable future or when other events and changes in circumstance indicate that the carrying value may not be recovered, the accumulated costs and expenditures are written down to fair value. Deferred expenditures relating to exploration projects represent costs to be charged to operations in the future and do not necessarily reflect the present or future values of the particular projects.

Indications that the net carrying amount of the capitalized costs on the exploration properties will not be recovered would include when:

- exploration activities have ceased;
- exploration results are not promising such that exploration will not be planned for the foreseeable future;
- lease ownership rights expire, are cancelled or expropriated;
- sufficient funding is not expected to be available to complete the exploration program; or
- other indications of impairment exist.

Development projects include those projects where studies of development alternatives are in process and/or have been completed suggesting that the properties are economically viable. The Company reviews the carrying amount of development projects when events or changes in circumstances suggest that the carrying amount may not be recoverable. A development project may no longer be recoverable when:

- determined to not be economically viable;
- ownership rights or other key requirements cannot be met;
- sufficient funding is not expected to be available to complete the project;
- other indications the project is not viable exist; and
- if the estimated fair value of the property is deemed to be less than that of the carrying value of the property, a provision for impairment is recorded based on the discounted estimated future cash flows. Fair value has been defined by the Company as the estimated future cash flows, on an undiscounted basis.

When the carrying value of a development property is no longer recoverable, it would be written down to fair value.

Mineral properties and related expenditures are recorded at cost. These net costs are deferred until the mineral properties to which they relate are placed into production, sold or abandoned. The costs will be amortized using the unit-of-production method over the estimated useful lives of the mineral properties following the commencement of production or written off, if the mineral properties are sold, impaired or abandoned.

General exploration and development costs not specifically related to a mineral property are expensed as incurred.

**(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 or capitalized to mineral properties 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 likely.

**(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 recorded through earnings.

## **New Accounting Policies**

### **Financial Instruments**

During 2009, CICA handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and;
- Level 3 – Inputs that are not based on observable market data.

## **Future Accounting Pronouncements**

### **(a) International Financial Reporting Standards (“IFRS”)**

In January 2006, the CICA Accounting Standards Board (“AcSB”) formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publically-accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will be required to have prepared, in time for its first quarter of fiscal 2012 filing, comprehensive financial statements in accordance with IFRS, including comparative information, for the three months ended December 31, 2010.

Consequently, the Company will continue to present its results for the years ended September 30, 2009 and 2010 using contemporary Canadian GAAP. In fiscal 2012, the Company will be required to restate for comparative purposes amounts reported for fiscal 2011 using Canadian GAAP to reflect contemporary IFRS. To accomplish this, commencing in fiscal 2011, the Company will maintain accounting records in accordance with both Canadian GAAP and IFRS in order to have comparable financial statements on full implementation of IFRS in fiscal 2012.

### ***IFRS Transition Plan***

The Company has established a comprehensive IFRS transition plan and has obtained third-party advice to assist with the planning and implementation of its transition plan to IFRS. The following summarizes the Company’s progress and expectations with respect to its IFRS transition plan;

Initial scoping and analysis of key areas for which accounting policies may be impacted by the transition to IFRS.	Complete
Detailed evaluation of potential changes required to accounting policies, information systems and business processes, including the application of IFRS First-time Adoption of International Financial Reporting Standards.	In progress, completion expected during Q1, 2011
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives.	In progress, completion expected during Q1, 2011
Resolution of the accounting policy change implications on information technology, business processes and contractual arrangements.	In progress, completion expected during Q1, 2011
Quantification of the financial statement impact of changes in accounting policies.	Throughout the transition process
Management and employee education and training	Throughout the transition process

### ***Impact of Adopting IFRS on the Company's Business***

As part of its analysis of potential changes to significant accounting policies, the Company is assessing what changes may be required to its accounting system and business processes. The Company believes that the changes identified to date are minimal and the systems and processes can accommodate the necessary changes.

To date, the Company has not identified any contractual arrangements that may be affected by potential changes to significant accounting policies.

The Company's staff and advisers involved in the preparation of the consolidated financial statements are being trained on the new relevant aspects of IFRS and the anticipated changes to accounting policies. Other individuals who will be affected by a change to business processes as a result of the conversion to IFRS will also be trained as necessary.

The Board of Directors and the Audit Committee have been regularly updated on the progress of the IFRS conversion plan, and made aware of the evaluation to date of the key aspects of IFRS affecting the Company.

### ***First Time Adoption of IFRS***

The adoption of IFRS requires the application of IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), which provides guidance for an entity's initial

adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS, effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment. The Company will review these exemptions and exceptions to determine whether any should apply to the Company's IFRS financial statements.

IFRS 1 does not permit changes to estimates that have been previously made. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition date will be consistent with those made under current Canadian GAAP. If necessary, estimates will be adjusted to reflect any difference in accounting policy.

### ***Impact of Adopting IFRS on the Company's Financial Statements***

The adoption of IFRS will result in some changes to the Company's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements.

The following provides a summary of the Company's evaluation to date of potential changes to accounting policies in key areas based on the current standards and guidance within IFRS. This is not intended to be a complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas the Company has identified as having the most potential for a significant change. The International Accounting Standards Board has a number of ongoing projects, the outcome of which may have an effect on the changes required to the Company's accounting policies on adoption of IFRS. At the present time, however, the Company is not aware of any significant expected changes prior to its adoption of IFRS that would affect the summary provided below.

#### ***1) Exploration and Development Expenditures***

Subject to certain conditions, IFRS currently allows an entity to determine an accounting policy that specifies the treatment of costs related to the exploration of mineral properties.

The Company expects to establish an accounting policy to expense, as incurred, all costs relating to exploration and development, other than acquisition related costs, until such time as it has been determined that a property has economically recoverable reserves.

The application of this policy on the adoption of IFRS will have a significant impact on the Company's consolidated financial statements. On adoption of IFRS, the carrying value of the unproven properties will be reduced to zero (at the transition date), with a corresponding adjustment to accumulated deficit. All subsequent exploration and development costs will be expensed as incurred until such time as it has been determined that a property has economically recoverable reserves.

#### ***2) Share-based Payments***

In certain circumstances, IFRS requires a different measurement of stock-based compensation related to stock options than current GAAP.

The Company does not expect any changes to its accounting policies related to share-based payments that would result in a significant change to line items within its consolidated financial statements.

### 3) *Income Taxes*

In certain circumstances, IFRS contains different requirements related to recognition and measurement of future income taxes.

The Company does not expect any changes to its accounting policies related to income taxes that would result in a significant change to line items within its consolidated financial statements.

### ***Subsequent Disclosures***

Further disclosures of the IFRS transition process are expected as follows:

- The Company's MD&A for the fiscal 2011 interim periods and the year ended September 30, 2011, will include updates on the progress of the transition plan and, to the extent known, further information regarding the impact of adopting IFRS on key line items in the annual consolidated financial statements.
- The Company's first financial statements prepared in accordance with IFRS will be the interim consolidated financial statements for the three months ending December 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending December 31, 2011 will also include consolidated financial statements for the comparative period, adjusted to comply with IFRS, and the Company's transition date IFRS statement of financial position (at October 1 1, 2010).

### **(b) Business Combinations, Consolidated Financial Statements and Non-Controlling Interests**

The CICA issued three new accounting standards in January, 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and 1602, "Non-Controlling Interests". These new standards will be effective for fiscal years beginning on or after January 1, 2011. Section 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3, "Business Combinations". Sections 1601 and 1602 together replace section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is the equivalent to the corresponding provisions of IFRS IAS-27, "Consolidated and Separate Financial Statements". The Company is in the process of evaluating the requirements of the new standards.

### **(c) Financial Instruments**

During 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures ("Section 3862") was amended to require disclosure about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and;
- Level 3 - Inputs that are not based on observable market data.

## **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 2010, 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.

## **Limitations of Controls and Procedures**

The Company's management including the Chief Executive Officer and Chief Financial Officer believe that the disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Furthermore, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they can not provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of certain events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

## **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 8 of the consolidated financial statements for fiscal 2010.

## **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.