

SAGE GOLD INC. - MANAGEMENT DISCUSSION AND ANALYSIS
FIRST QUARTER ENDED DECEMBER 31, 2008

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 first quarter of fiscal 2009 ended December 31, 2008. 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 2008, since the interim unaudited consolidated financial statements do not contain all disclosures required by Canadian generally accepted accounting principles for annual financial statements. The unaudited interim consolidated financial statements have been prepared by the Company in accordance and are expressed in Canadian dollars. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the interim periods presented are not necessarily indicative of the results that may be expected for any future period.

DATE OF MD&A

This MD&A was prepared on February 26, 2009.

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 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 a portfolio of precious and base metal properties in Ontario, Quebec, Nevada and Arizona. The main focus in the first quarter of 2009 has been on the Beardmore/Geraldton properties in Ontario, primarily the Golden Extension property at Jacobus East. Interest in this area is being driven by favourable gold prices, excellent exploration results and good local infrastructure and milling facilities.

For fiscal 2009 the Company's exploration program will be primarily focused on the Canadian properties, which will be financed through the \$3.45 million flow-through financing closed during the first quarter.

During the first quarter of fiscal 2009 the Company incurred gross cash expenditures of \$685,206 on the Canadian exploration programs and \$13,313 on its U.S. exploration programs.

Mineral Properties

<i>Mineral Property</i>	<i>Location</i>	<i>Sage interest</i>	<i>Acres</i>
	Ontario		
Kerrs Properties			
Kerrs Lease (a)	Kerrs Township (Chesney Bay)	100%	459
Kerrs (a)	Kerrs, Chesney Bay and Rayner Lake, Galna	100%	18,480
Kerrs – Kidston/Dyment (a)	Kerrs Township	Option 100%	160
Onaman	Onaman Lake	100%	117,019
Onaman Leases	Onaman Lake	100%	731
Jacobus	Kaby and Tyrol Lakes	100%	9,200
Paint Lake Lease	Irwin and Walters Township	Option 100%	344
Missing Link	Lapierre and Legault Townships	Option 100%	4,240
Cote Two Rivers	Coughlan and Castlewood Lakes	Option 100%	2,400
King Solomon's Pillars Lease	Walters Township	Option 100%	697
Dorothea Leases	Dorothea Township	Lease 100%	475
Gzowski Patents	Gzowski Township	100%	340
Esquega Lease	Esquega Township	Lease 100%	337
Corbiere Lease	Corbiere Township	Lease 100%	100

	Quebec		
Chibougamau Barlow	Barlow Township	100%	2,918
Chibougamau Fancamp	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		Acres
Nevada Properties			
Pony Spur	Elko County, Nevada	100%	960
Sugarloaf	Elko County, Nevada	100%	1,880
Arizona Property			
Gold Hill	Maricopa County, Arizona	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. On August 28, 2008 OAK amalgamated with Lucrum Capital Corp., a TSXV listed company, who subsequently changed its name to Sheltered Oak Resources Corp.

In order to earn the interest in each property, OAK is required to 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.

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.

Under the terms of the initial agreement, during the option period Sage was to be the operator responsible for all prospecting, exploration, development and mining operations of the Sage properties and receive a fee equivalent to 15% of the exploration expenditures. Sage and OAK are currently in negotiations to appoint OAK as the operator and to cancel the existing fee relationship.

On August 3, 2007 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.

In the first quarter ended December 31, 2008 the Company executed an amendment and extension to the option agreements (the "Option Agreement") dated as at August 30, 2005 between Sage and Jocelyne A. Kidston and L. Michael Dymant, as extended by the Extension and Waiver Agreement dated as of February 21, 2007 and the Amendment Agreement dated as of November 10, 2008 between Sage, Lucrum Capital Corp. (now Sheltered Oak Resources Corp.) and Jocelyne A. Kidston and L. Michael Dymant. The term of the Option Agreement has been extended until September 6, 2009. The consideration for maintaining the Option Agreement in full force and effect is the issue of 78,125 treasury common shares of Sage (valued at \$6,250) to Jocelyne A. Kidston and 78,125 treasury common shares of Sage (valued at \$6,250) to L. Michael Dymant, in addition to the issue of \$12,500 of the share capital of Sheltered Oak Resources Corp.

As at December 31, 2008 OAK had met all of its obligations under the agreement on the Kerrs property, however OAK terminated its interests in the Chibougamau and Malartic properties. In order to maintain the option agreement on the Kerrs property, OAK is required to pay \$100,000 to Sage by June 30, 2009, spend \$500,000 for exploration expenditures by June 30, 2009, including a total of \$125,000 on the Kidston/Dymant property by August 30, 2009, and spend an additional \$1,000,000 in exploration expenditures by June 30, 2010.

Acquisitions

In the first fiscal quarter of 2009 the Company acquired title to the Esquega and Corbiere properties which formed part of the February 12, 2008 option agreement signed with Albert Hopkins Enterprises Ltd.

Exploration Activities

Ontario, Canada

Jacobus (Beardmore/Geraldton Gold Camp)

On November 7, 2008 the Company announced the discovery of three new gold bearing quartz veins associated with the original Golden Extension discovery located in the Beardmore/Geraldton Gold Camp (BGGC) in Northwestern Ontario. The Golden Extension discovery, reported in a press release of September 2, 2008 with channel results of up to 136.5 g Au/T, is believed to be the northwest extension of Kodiak Exploration Limited's Golden Mile.

Highlights of press release

- Four vein systems discovered to date– Veins 1-4 with an aggregate trenched strike length of 290 metres – veins open along strike.
- New channel results for Vein #1 - up to 35 g Au/T over a channel width of 0.7 metres. Two excavators actively trenching followed by channel sampling of the vein systems.
- A new Vein discovered 1.5 km southeast of the Golden Extension at the property boundary with Kodiak.

On January 26, 2009 Sage announced new channel results from the Golden Extension discovery in the BGGC, including 50.4 g Au/T over a channel width of 0.5 metres. Since the last press release of November 7, 2008 noted above, Sage stripped additional vein structures and discovered an additional three gold bearing quartz veins.

Previous channel samples from the Golden Extension discovery, reported in a press release of September 2, 2008, include results of up to 136.5 g Au/T.

Highlights of press release

- The Golden Extension discovery now consists of seven veins with an aggregate trenched strike length of 1 kilometre.
- New channel results - up to 50.4 g Au/T over a channel width of 0.5 metres.
- Trenching and Geophysical Exploration ongoing.
- Veins open along strike.

On February 26, 2009 the Company announced further channel sampling results relating to Vein 4 on the Golden Extension, including 93.72 g Au/T over a channel width of 0.4 metres.

Highlights of press release

- Visible gold present in northwest trending quartz veins and in the silicified pyritic wall rocks
- New channel results - 93.72 g Au/T over a channel width of 0.4 metres
- Contact zone – intrusion and volcanic – Extensive Quartz Stockwork with mineralized wall rock
- Vein exposed over a strike length of 80 metres

Sage plans to continue to trench and channel sample the Golden Extension and parallel vein systems during fiscal 2009.

The channel results, coupled with the geological interpretation of the vein systems, will be used to define drill targets for a 2009 drill program. Channel and grab results obtained to date, along with a plan map of the trenched areas to date on the Golden Extension vein system with the associated channel locations, are available at www.sagegoldinc.com.

Onaman (Beardmore/Geraldton Gold Camp)

On November 6, 2008 Sage announced that the Company had drilled a total of 15,358 metres in 71 holes in 2008 on the Lynx Zone, Onaman Property in the Beardmore/Geraldton Gold Camp in northwestern Ontario.

Selected highlights of the last nine holes drilled are detailed below. Sage is in the process of preparing a 43-101 compliant resource estimate.

Hole Number	From Metres	To Metres	Width Metres (True width -m)	Cu %	Au g/t	Ag g/T
S08-24	170.90	171.40	0.50 (0.40)	0.04	23.20	27.0
S08-80	285.50	302.10	16.60 (10.30)	0.50	0.14	65.0
Incl.	291.20	292.15	0.95	0.40	0.38	359.0
S08-78	69.15	77.40	8.25 (7.00)	1.98	0.52	39.5
S08-76/1	121.70	125.70	4.00 (3.13)	3.60	0.34	95.0
S08-76/1	284.60	287.10	2.50 (2.00)	2.45	2.89	129.0

NQ core

The Lynx mineralization has been the subject of news releases during 2008 dated 18 January, 29 February, 3 April and 28 May and 14 August. The press release of May 28, 2008 included the results for 18 holes, with a highlight being hole S08-52 which intersected 10.89% Cu, 8.2 g Au/T and 318 g Ag/T over 2.72 metres. The press release of 14 August included the results for 11 holes, with a highlight being hole S08-73, which intersected 2.23 % Cu, 0.75 g Au/T, and 55 g Ag/T over 11.3 metres.

A complete table of assay results for drilling on the Lynx zone, Onaman Project may be viewed at www.sagegoldinc.com.

The geotechnical information relating to the Beardmore/Geraldton Gold Camp area has been reviewed by Peter Hubacheck, P. Geo. A.P.G.O.: #1059 P. Geo, A.P.E.G.G.A #33789, a qualified person as defined by NI 43-101.

Arizona USA

Gold Hill

On November 6, 2008 Sage announced the completion of a 19 diamond drill hole program totalling 9,048 feet on the Gold Hill property located in Maricopa County, Arizona. Selected drill results are as follows:

LOCATION	FROM (ft)	TO (ft)	GRADE Au (oz/t)	GRADE Au (g/T)	Width (Feet)
GH-08-02	198	202	1.38	47.31	4.0
GH-08-05	31	37	0.10	3.34	6.0
GH-08-09	616	624	0.11	3.72	8.0
GH-08-09	632	634	0.37	12.90	2.0
GH-08-12	169	173	0.19	6.61	4.0
GH-08-16	399	403	0.21	7.17	8.0

Drill Intersections only – true widths have not been determined. NQ core.

Full details of the drill intersection results are available on the Company's website at www.sagegoldinc.com.

Sage has exercised an option to acquire a 50% interest in the property having spent U.S. \$250,000 in exploration expenditures in the prior year. After earning its option, expenditures are equally shared between Sage and the property vendor.

The geotechnical information in this release has been reviewed by Peter Hubacheck, P. Geo. A.P.G.O.; #1059 P. Geol., A.P.E.G.G.A #33789, a qualified person as defined by NI 43-101 regulations.

Financing Activities

On October 17, 2008 the Company closed the first tranche of a non-brokered private placement program through the sale of 15,600,000 flow-through units, at \$0.125 per unit, for gross proceeds of \$1,950,000. Each unit consisted of one flow-through common share plus one-half of one share purchase warrant; each whole warrant exercisable at \$0.20 until October 17, 2010. A finder's fee of \$117,000 in cash was paid and 1,248,000 broker warrants, representing 8% of the units sold, were issued.

On October 20, 2008 the Company closed the second tranche of the financing program through the sale of 10,000,000 flow-through units, at \$0.125 per unit, for gross proceeds of \$1,250,000. Each unit consisted of one flow-through common share plus one-half of one share purchase warrant; each whole warrant exercisable at \$0.20 until October 17, 2010. A finder's fee of \$72,000 in cash was paid and 768,000 broker warrants, representing 8% of the units sold, were issued.

The final segment of the financing program was the closing of a non-brokered private placement of \$250,000 through the sale of 2,000,000 flow-through units, at \$0.125 per unit, on October 25, 2008. Each unit consisted of one flow-through common share plus one-half of one share purchase warrant; each

whole warrant exercisable at \$0.20 until October 25, 2010. A finder's fee of \$15,000 in cash was paid and 160,000 broker warrants, representing 8% of the units sold, were issued.

Personnel

There were no changes in management or directors during the quarter ended December 31, 2008.

Mineral Properties

Refer to Consolidated Statements of Mineral Properties in the December 31, 2008 unaudited consolidated financial statements for a breakdown of material costs.

Description	Cumulative to September 30, 2008	Quarterly Additions	Cumulative to December 31, 2008
CANADA			
Kerrs Property	\$ 1,410,748	\$ 742	\$ 1,411,490
Malartic	12,511	-	12,511
Onaman Property	7,487,566	6,365	7,493,931
Jacobus Property	3,574,132	447,472	4,021,604
Nicole Property	63,658	-	63,658
Hopkins Properties	221,705	35,000	256,705
Beardmore/Geraldton Properties	611,983	195,627	807,610
	13,382,303	685,206	14,067,509
UNITED STATES			
Pony Spur, Dike, and Corridors Properties	842,031	776	842,807
Gold Hill Property	972,793	12,537	985,330
	1,814,824	13,313	1,828,137
	\$ 5,624,593	\$ 1,773,256	\$ 7,397,849

For a description of these properties, refer to Note 5 of the audited consolidated financial statements as at September 30, 2008.

Results of Operations

First Quarter ended December 31, 2008

Sage's operations in the first quarter of fiscal 2009 were focused on exploration and financing, and the Corporation did not generate any operating revenue. Sage's net loss for the first quarter of fiscal 2009 increased to \$556,170 from a loss of \$544,977 for the comparable quarter in fiscal 2008, with the increased loss being primarily due to higher expenses related to flow-through penalty charges (\$103,418 in fiscal 2009; \$Nil in fiscal 2008), lower directors' and management stock-based compensation (\$24,953 in fiscal 2009; \$279,583 in fiscal 2008) and a lower future income tax recovery (\$Nil in fiscal 2009; \$203,000 in fiscal 2008).

The increased flow-through penalty charge relates to the 2007 first fiscal quarter flow-through stock issue of \$5.48 million, as the flow-through funds, which were renounced in December of 2007, were not spent in the year in which they were raised. The directors' and management stock-based compensation costs relate to a decrease in the number of stock options granted in the quarter (nil in fiscal 2009; 2.81 million in 2008) along with the changes in the related weighted average valuation assumptions under the Black-

Scholes option-pricing model. The income tax recovery in the prior year's first quarter 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.

	First Quarter Dec. 31, 2008	Fourth Quarter Sept. 30, 2008	Third Quarter June 30, 2008	Second Quarter March 31, 2008
Expenses	564,221	1,058,090	759,853	996,478
Net income (loss) (including interest income)	(556,170)	(590,251)	(734,281)	(934,308)
Net income (loss) per share	-	-	(0.01)	(0.01)
Cash flow from (used in) operations	(713,129)	(317,184)	(1,027,051)	(21,546)
Cash & cash equivalents, end of period	224,755	356,186	189,007	318,374
Assets	18,740,508	16,224,860	17,110,653	16,987,542

	First Quarter Dec. 31, 2007	Fourth Quarter Sept. 30, 2007	Third Quarter June 30, 2007	Second Quarter March 31, 2007
Expenses	781,878	294,427	298,316	350,057
Net income (loss) (including interest income)	(544,977)	(442,894)	(298,316)	92,435
Net income (loss) per share	-	(0.01)	-	-
Cash flow from (used in) operations	(788,035)	(297,829)	(313,624)	(448,970)
Cash & cash equivalents, end of period	803,468	1,864,572	746,165	1,030,119
Assets	15,575,466	7,798,400	5,686,507	5,223,714

LIQUIDITY AND CAPITAL RESOURCES

At the end of the first quarter of fiscal 2009 Sage reported working capital of \$2,392,828 (\$7,585,604 – fiscal 2008), cash & cash equivalents of \$224,755 (\$803,468 – fiscal 2008), and short term investments of \$1,976,687 (\$6,493,566 – fiscal 2008). The Company anticipates that the working capital amount will be sufficient to support the planned exploration program ongoing in Canada in 2009; however additional non flow-through financing is required to fund the related operating expenses required to manage the Company through fiscal 2009. The consolidated financial statements as at December 31, 2008 have been prepared using Canadian generally accepted accounting principles 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.

Sage currently does not have credit facilities with financial institutions, and does not anticipate that it will generate revenue from its activities in fiscal 2009; therefore it will rely on its ability to obtain equity financing for operations. The Company raised \$9,384,682 (net of costs) in equity financing in fiscal 2008, and \$3,214,443 (net of costs) in financing in the first quarter of fiscal 2009. Management anticipates that it will be able to raise sufficient capital to further explore and develop its properties and carry out its projects in the future. However, specifically in light of the turmoil in the current financial markets, 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. Refer to "Risk Considerations".

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the first quarter of fiscal 2009, management and consulting expenses of \$81,250 (fiscal 2008 - \$100,000) were paid to officers or a corporation whose shareholder is a director or officer of the Company.

During the first quarter of fiscal 2009, mineral property expenditures include consulting fees of \$12,465 (fiscal 2008 - \$33,750) paid to an officer of the Company.

Directors fees paid to independent directors in the first quarter of fiscal 2009 amounted to \$11,250 (fiscal 2008 - \$11,250).

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

Included in accounts payable and accrued liabilities as at December 31, 2008 is \$45,625 (December 31, 2007 - \$21,548) 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

Sage shares trade on the TSX- Venture Exchange under the symbol "SGX." The Corporation is authorized to issue an unlimited number of common shares, and as at the end of the first quarter of fiscal 2009 there were 176,464,983 common shares issued.

As at December 31, 2008, there were 39,223,570 warrants outstanding with a weighted average exercise price of \$0.49 of which 25,423,570 expire in 2009 and 13,800,000 expire in 2010.

The following table sets out the warrants outstanding at December 31, 2008.

Number of Options	Black-Scholes Value (\$)	Exercise Price (\$)	Expiry Date
8,000,000	-	\$ 1.25	March 19, 2009
937,500	57,188	0.22	March 19, 2009
150,000	5,700	0.20	March 30, 2009
3,651,500	306,726	0.18	July 11, 2009
1,786,000	151,810	0.19	September 1, 2009
5,428,570	700,286	0.19	October 12, 2009
5,480,000	1,002,840	0.75	November 14, 2009
12,800,000	499,200	0.20	October 17, 2010
1,000,000	39,000	0.20	October 25, 2010

As at December 31, 2008, 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
Consultants	250,000	35,250	0.50	February 15, 2010
Directors, Officers, Consultants & Employees	1,000,000	54,546	0.10	August 10, 2010
Consultants	15,000	1,200	0.10	October 26, 2010
Management, Directors, Employees & Consultants	1,010,000	131,300	0.17	January 27, 2011
Directors, Officers, Consultants & Employees	2,215,000	237,005	0.14	May 29, 2011
Officers, Consultants & Employees	910,000	82,810	0.12	March 1, 2012
Consultant	300,000	36,600	0.16	September 27, 2012
Management, Directors, Employees & Consultants	3,055,000	534,625	0.24	October 15, 2012
Management, Directors, Employees & Consultants	2,985,000	1,110,420	0.50	December 13, 2012
Consultant	500,000	128,500	0.50	January 18, 2013
Consultants	<u>350,000</u>	<u>61,250</u>	0.25	May 20, 2013
Subtotal	13,590,000	2,614,792		
Compensation Options	500,000	41,000	0.16	March 1, 2009
Compensation Options	150,000	11,100	0.16	March 19, 2009
Compensation Options	434,286	67,749	0.14	October 12, 2009
Compensation Options	830,400	178,536	0.50	November 14, 2009
Compensation Options	2,016,000	78,624	0.20	October 17, 2010
Compensation Options	<u>160,000</u>	<u>6,240</u>	0.20	October 25, 2010
	<u>17,680,686</u>	<u>\$ 2,998,041</u>		

COMMITMENTS

a) The Company leases its office space under a lease agreement which expires in February 2011. Remaining lease obligations, under the agreement, by fiscal year, are as follows:

2009	\$ 46,000
2010	48,333
2011	<u>20,833</u>
	<u>\$115,166</u>

b) Subsequent to December 31, 2007, the Company renounced the flow-through offerings that occurred in October 2008. 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) requirements for the look-back rule. The look-back rule requires the Company to incur qualifying exploration expenditures in Canada ("CEE") within 12 months from the effective date of renunciation. As at December 31, 2008, the Company is committed to incurring approximately 2,851,000 in CEE by December 31, 2009 arising from the flow-through offerings.

SUBSEQUENT EVENT

Subsequent to December 31, 2008, 331,250 common shares were issued relating to the following property payments: (i) 50,000 common shares in accordance with the terms of the Paint Lake Option Agreement; (ii) 75,000 common shares in accordance with the terms of the Missing Link Option Agreement; (iii) 50,000 common shares in accordance with the terms of the King Solomon's Pillars Option Agreement; and (iv) 156,250 common shares in accordance with the terms of the Amendment Agreement dated as of November 10, 2008 for the Kerrs Property (Note 5(a)).

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 discounted 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 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 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 expensed.

(g) Capital Disclosures

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in Note 3 to the consolidated financial statements as at December 31, 2008.

(h) Financial Instruments

Handbook Sections 3862 and 3863 place emphasis on disclosures about the nature and extent of risks arising from financial statements and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook sections in Note 4 to the consolidated financial statements as at December 31, 2008.

(i) Going Concern

In June 2007 the CICA amended Handbook Section 1400, Going Concern, to include additional requirements to assess and disclose an entity's ability to continue as a going concern. Section 1400 is effective for interim and annual reporting periods beginning on or after January 1, 2008. The Company has included disclosures recommended by the new Handbook sections in Note 1 to the consolidated financial statements as at December 31, 2008

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 (generally accepted accounting principles) 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. While the Company has begun assessing the impact of the adoption of IFRS on its consolidated financial statements, the financial reporting impact of the translation to IFRS cannot be reasonably estimated at this time.

(b) Goodwill and Intangible Assets

Effective October 1, 2008, the Company adopted Section 3064, Goodwill and Intangible Assets, which replaced CICA Handbook sections 3062 and 3450, EIC abstract 27 and part of Accounting Guideline 11. Under previous Canadian standards, more items were recognized as assets than under IFRS. The objectives of CICA 3064 are to reinforce the principle based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition and to clarify the application of the concept of matching revenues and expenses such that the current practice of recognizing asset items that do not meet the definition and recognition criteria is eliminated. The portions in the new standard with respect to Goodwill remain unchanged. The provisions relating to the definition and initial recognition of intangible assets intends to reduce the differences with IFRS in the accounting for intangible assets. The new standard also provides guidance for the recognition of internally developed intangible assets (including research and development activities), ensuring consistent treatment of all intangible assets. The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations as at December 31, 2008 for the three months then ended.

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.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on the Internet at the SEDAR website located at www.sedar.com and at www.sagegoldinc.com.

CAUTION REGARDING 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.