

SAGE GOLD INC. - MANAGEMENT DISCUSSION AND ANALYSIS

SECOND QUARTER ENDED MARCH 31, 2009

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 second quarter of fiscal 2009 ended March 31, 2009. 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 with Canadian generally accepted accounting principles 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 May 28, 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 six months of fiscal 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.

During the six months of fiscal 2009 the Company incurred gross cash expenditures of \$1,308,880 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 Lease (a)	Kerrs Township (Chesney Bay)	100%	459
Kerrs (a)	Kerrs, Chesney Bay and Rayner Lake	100%	11,040
Kerrs – Kidston/Dyment (a)	Kerrs Township	Option 100%	160
Onaman	Onaman Lake	100%	117,598
Onaman Leases	Onaman Lake	100%	731
Jacobus	Kaby and Tyrol Lakes, and Pifher Township	100%	12,720
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%	593
Chibougamau Fancamp	Fancamp Township	100%	158
Fort Chimo Gold	Rougemont Township	75%	751
Fort Chimo Gold	Chute de la Pyrite Township	75%	593
Malartic	Malartic Township	100%	845

	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, which subsequently changed its name to Sheltered Oak Resources Corp.

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 Dymont, 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 Dymont. 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 was 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 Dymont, 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, and has indicated its desire not to continue 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 September 6, 2009, spend \$500,000 for exploration expenditures by June 30, 2009, including a total of \$125,000 on the Kidston/Dymont property by August 30, 2009, and spend an additional \$1,000,000 in exploration expenditures by June 30, 2010.

Acquisitions

There were no acquisitions made during the second fiscal quarter of the year.

Exploration Activities

Ontario, Canada

Jacobus – Golden Extension (Beardmore Geraldton Gold camp – "BGG")

On January 26, 2009 the Company announced new channel results from the Golden Extension discovery in the BGG, including 50.4 g Au/T over a channel width of 0.5 metres. Since the prior press release of November 7, 2008, Sage has trenched 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.

On March 19, 2009 the Company released additional channel and grab sample results from Veins 2 and 4 on the Golden Extension.

Highlights of press release

- Vein 4- channel samples- 11.15 g Au/T over 0.3 metres and 9.5 g Au/T over 0.20 metres.
- Vein 4 grab samples of 259.99 g Au/T; grab samples range from 1.7 g Au/T to 259.99 g Au/T with an overall average of 75.83 g Au/T.
- Vein 2- channel samples of 8.21 g Au/T and 7.29 g Au/T over 0.50 metres.

On April 16, 2009 the Company announced that two additional high-grade gold vein structures had been discovered on the property, referred to as Veins 9 and 10. Vein 9 comprises two discrete veins separated by up to 15 metres of sheared carbonatized and mineralized wall rock. Visible gold is present within the sheared wall rock between the north and south offshoots. Grab samples from this vein ranged from 0.56 g Au/T to 36.23 g Au/T, and a channel sample of 2.95 g Au/T over 0.30 metres was reported.

A summer drill program has been set for the Golden Extension to expand on the exploration results received to date.

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 – Lynx (BGG)

In the second quarter of fiscal 2009 Sage announced the completion of a NI43-101 compliant resource estimate for the Lynx Cu-Ag-Au project located in the Onaman property. Highlights are:

- The Inferred Resource defined to date comprises 1,936,000 tonnes at an average grade of 1.44% Cu, 39.6 g Ag/T and 058 g Au/T and contains 61.3 million pounds of copper, 2.24 million troy ounces of silver and 33,000 troy ounces of gold. The resources are reported at a cut-off grade of 0.5% copper.
- Lersch-Grossman Pit Optimization techniques were utilized to evaluate the near surface potential of the resource that could be amenable to mining by open pit methods. The results indicate the potential for one pit located in the Lynx North area. Using a cut-off grade of 1% Cu, inferred resources are estimated at 485,000 tonnes at 2.1% Cu, 45.3 g Ag/T and 0.70 g Au/T, and at a cut-off grade of 0.5% Cu inferred resources are estimated at 845,000 tonnes at 1.55% Cu, 34.6 g Ag/T and 0.51 g Au/T.
- The Lynx deposit zones are located in the North area and South area. The Resource modeling indicates that there is scope to expand the high grade resource in the South area down dip to the southwest and updip to the northeast. Further, the North area has not been closed off to the north and all zones have only been drilled down dip to an average depth of 200 metres. Refer to www.sagegoldinc.com for illustrative models of the North and South areas.

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

On March 12, 2009 the Company released the results from the 2008 sampling program on the Headway zone section of the Onaman property, reporting silver values ranging from 110-1050 g Ag/T (averaging 352.7 g Ag/T), gold values ranging from 0.1-3.9 g Au/T (averaging 1.0 g Au/T), zinc values ranging from 0.52-20.70% (averaging 5.3%) and lead values ranging from 0.37-22.30% (averaging 3.55%). The Headway zone is located approximately 250 metres northwest and stratigraphically above the Lynx zone.

Paint Lake (BGG)

Sage has completed an extensive prospecting program on its optioned Paint Lake property and has discovered two new zones of gold mineralization. One zone (SW zone) occurs 744 metres southwest of the stripped and sampled zone reported in the press release of August 25, 2008 (channel result 23.09 g Au/T over 0.4 metres). One grab sample from the Paint Lake Southwest Showing yielded 3.7 g Au/T. A second zone (SE zone) was discovered 640 metres southeast of the main stripped area. Grab samples from the Paint Lake Southeast Showing assaying greater than 1.0 g Au/T range from 1.1-2.4 g Au/T and average 1.7g Au/T.

The Paint Lake property is located contiguous to the western end of Ontex's Brookbank gold deposit which has 43-101 compliant indicated and inferred mineral resources. On December 18, 2008 Ontex announced a drill intersection of 85.9 g Au/T over 3.4 metres from drilling completed on the Brookbank deposit. Sage's new occurrence southwest of the original stripped area is 400 metres east of the property boundary and lies stratigraphically at the contact of the southern metavolcanics and the northern conglomerates within the Paint Lake shear zone. This structural and stratigraphic location is the host environment for both the Brookbank Gold deposit and Sage's original discovery on the Paint Lake property.

Sage intends to trench and channel sample the new zones in 2009.

King Solomon's Pillars (BGG)

Sage has completed prospecting on the optioned King Solomon's Pillars property. The Company has located two zones (North and South) of anomalous gold mineralization associated with quartz ankerite veining within an oxide iron formation and associated metasediments. Grab samples from the King Solomon's Pillars northern showing assaying greater than 1.0 g Au/T range from 1.0-11.9 g Au/T and average 4.9 g. Grab samples from the King Solomon's Pillars southern showing assaying greater than 1 g Au/T range from 1.4-16.3 g Au/T and average 6.0 g Au/T.

Sage intends to trench and collect channel samples from the anomalous gold zones in 2009.

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. Mr. Hubacheck is an acting consulting geologist for the Company.

Financing Activities

The following common share issues were made during the quarter in compliance with various property agreements:

- (a) In January, 2009 Sage issued a total of 313,888 common shares, valued at \$23,722, relating to the option agreements for Paint Lake, Missing Link, King Solomon's Pillars and Cote Two Rivers.
- (b) In February, 2009 the Company issued 156,250 common shares, valued at \$12,500, in accordance with the terms of the option agreement on the Kerrs property.

Personnel

There were no changes in management or directors during the quarter ended March 31, 2009.

Mineral Properties

Refer to Consolidated Statements of Mineral Properties in the March 31, 2009 unaudited consolidated financial statements for a breakdown of material costs.

Description	Cumulative to September 30, 2008	Additions	Cumulative to March 31, 2009
CANADA			
Kerrs Property	\$ 1,410,748	\$ 14,615	\$ 1,425,363
Malartic	12,511	(12,511)	-
Onaman Property	7,487,566	120,358	7,607,924
Jacobus Property	3,574,132	894,053	4,468,185
Nicole Property	63,658	(63,658)	-
Hopkins Properties	221,705	37,695	259,400
Beardmore Geraldton Properties	611,983	326,467	938,450
	<u>13,382,303</u>	<u>1,317,019</u>	<u>14,699,322</u>
UNITED STATES			
Pony Spur, Dike, and Corridors Properties	842,031	776	842,807
Gold Hill Property	972,793	(35,548)	937,245
	<u>1,814,824</u>	<u>(34,772)</u>	<u>1,780,052</u>
	<u>\$15,197,127</u>	<u>\$ 1,282,247</u>	<u>\$ 16,479,374</u>

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

Results of Operations

Second Quarter ended March 31, 2009

Sage's operations in the second quarter of fiscal 2009 were focused on exploration, and the Company did not generate any operating revenue. Sage's net loss for the second quarter of fiscal 2009 decreased to \$526,953 from a loss of \$934,308 for the comparable quarter in fiscal 2008, with the decreased loss being primarily due to lower general and administrative expenses (\$449,238 in fiscal 2009; \$994,897 in fiscal 2008), offset in part by a write off of mineral properties (\$76,169 in fiscal 2009; \$nil in fiscal 2008) and lower interest income (\$1,894 in fiscal 2009; \$62,170 in fiscal 2008).

General and administrative expenses declined by \$545,659 resulting from decreases in directors' and management stock-based compensation of \$352,173, lower professional fees of \$144,821, and a decline in investor relations and corporate development expenses of \$49,358. The decline in professional fees related to the allocation of \$734 (\$167,947 for 2008) of stock-based compensation relating to stock options awarded to individuals in this group. The decrease in investor relations and corporate development expenses for the quarter was due to a reduction in the number of corporate presentations done outside of Canada. The property write off in fiscal 2009 relates to the Company's decision, and the decision of Sheltered Oak Resources Corp., not to explore the Malartic and Nicole properties, and their accumulated capitalized costs were accordingly expensed. Interest received declined in the current year from the prior year's comparable quarter due to the lower average short-term investment balance between the two fiscal periods.

In summary for the quarter, stock-based compensation expense included in General and Administrative costs totalled \$3,893 for the three months ended March 31, 2009 compared to \$558,963 for the three month period ended March 31, 2008. As this expense is non-cash in nature, actual comparative cash-related expenses rose to \$445,345 in the current three month period from \$435,934 in the prior year's comparative period.

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.

	Second Quarter March 31, 2009	First Quarter Dec. 31, 2008	Fourth Quarter Sept. 30, 2008	Third Quarter June 30, 2008
Expenses	528,847	564,221	1,058,090	759,853
Net income (loss) (including interest income)	(526,953)	(556,170)	(590,251)	(734,281)
Net income (loss) per share	-	-	-	(0.01)
Cash flow from (used in) operations	(366,503)	(713,129)	(317,184)	(1,027,051)
Cash & cash equivalents, end of period	90,524	224,755	356,186	189,007
Assets	18,193,797	18,740,508	16,224,860	17,110,653

	Second Quarter March 31, 2008	First Quarter Dec. 31, 2007	Fourth Quarter Sept. 30, 2007	Third Quarter June 30, 2007
Expenses	996,478	781,878	294,427	298,316
Net income (loss) (including interest income)	(934,308)	(544,977)	(442,894)	(298,316)
Net income (loss) per share	(0.01)	-	(0.01)	-
Cash flow from (used in) operations	(21,546)	(811,601)	(297,829)	(313,624)
Cash & cash equivalents, end of period	318,374	803,468	1,864,572	746,165
Assets	16,987,542	15,575,466	7,798,400	5,686,507

Six Months ended March 31, 2009

Sage's operations in the first six months of 2009 were focused on exploration and financing, and the Company did not generate any operating revenue. Sage's net loss for the six months ended March 31, 2009 was (\$1,083,123) compared with a loss of (\$1,479,285) for the corresponding six month period the year earlier, with the decreased loss being primarily due to lower general and administrative expenses (\$1,010,019 in fiscal 2009; \$1,775,737 in fiscal 2008), offset in part by lower future income tax recoveries (\$nil for fiscal 2009; \$203,000 for fiscal 2008), lower interest income (\$9,945 for fiscal 2009; \$96,071 for fiscal 2008), and higher write offs for mineral properties (\$76,169 for fiscal 2009; \$nil for fiscal 2008).

General and administrative expenses declined by \$756,879 resulting from decreases in directors' and management stock-based compensation of \$606,803 and lower professional fees of \$152,704, which were partially offset by higher charges relating to flow-through tax penalties. The decline in professional fees related to the allocation of \$19,697 (\$214,958 for 2008) of stock-based compensation relating to stock options awarded to individuals in this group. The increase in the flow-through tax penalties relates to the timing issues on the raising of flow-through funds via share capital issues and the timing of the related allowable exploration expenses. The income tax recovery relates to the timing of the renunciation of the income tax benefits to the holders of the flow through shares. The decline in the interest received pertains to the lower average short-term investment balance between the two fiscal periods. The property

write off in fiscal 2009 relates to the Company's decision not to explore the Malartic and Nicole properties, and their accumulated capitalized costs were accordingly expensed.

In summary for the year-to-date period, stock-based compensation expense totalled \$57,083 for the six months ended March 31, 2009 compared to \$917,584 for the six month period ended March 31, 2008. As this expense is non-cash in nature, actual comparative cash-related expenses rose to \$952,936 in the current six month period from \$858,153 in the prior year's comparative period, principally due to the increase in the flow-through tax penalty.

Summary of Six Month Results

The following tables set out financial performance highlights for the six month periods ended March 31, 2009 and 2008 and were prepared in accordance with Canadian GAAP.

	Six Months to March 31 2009	Six Months to March 31 2008
Expenses	1,093,068	1,778,356
Net loss (including interest income)	(1,083,123)	(1,479,285)
Net income (loss) per share	(0.01)	(0.01)
Cash flow used in operations	(1,127,717)	(833,147)
Cash & cash equivalents, end of period	90,524	318,374
Assets	18,193,797	16,987,542

LIQUIDITY AND CAPITAL RESOURCES

At the end of the second quarter of fiscal 2009 Sage reported working capital of \$1,329,734 (\$5,495,792 – fiscal 2008), cash & cash equivalents of \$90,524 (\$318,374 – fiscal 2008), and short term investments of \$1,074,697 (\$5,314,396 – fiscal 2008). The Company acknowledges that the working capital amount will not be sufficient to meet the estimated commitment of \$2,505,780 relating to Canadian exploration expenditures which were renounced from the flow-through financing from the first quarter of fiscal 2009, and that additional financing will also be required to fund the Company's operating expenses required to manage the Company through fiscal 2009. The consolidated financial statements as at March 31, 2009 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 unaudited interim 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 Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the second quarter of fiscal 2009, management and consulting expenses of \$87,250 (fiscal 2008 - \$60,550) were paid to officers or a corporation whose shareholder is a director or officer of the Company.

During the second quarter of fiscal 2009, mineral property expenditures include consulting fees of \$11,250 (fiscal 2008 - \$43,200) paid to an officer of the Company.

Directors fees accrued to independent directors in the second 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 March 31, 2009 is \$82,503 (March 31, 2008 - \$26,629) owing to these related parties.

PROPOSED TRANSACTIONS

There are no material decisions by the board of directors of the Company 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 Company is authorized to issue an unlimited number of common shares, and as at March 31, 2009 there were 176,935,121 common shares issued. There was no change in the number of shares issued from the end of the quarter through to the date of this report.

As at March 31, 2009, there were 30,146,070 warrants outstanding with a weighted average exercise price of \$0.29 of which 16,346,070 expire in calendar 2009 and 13,800,000 expire in 2010.

As at March 31, 2009, there were 13,230,000 stock options outstanding with a weighted average exercise price of \$0.19 of which 1,000,000 expire in calendar 2009, 1,265,000 expire in calendar 2010, 3,225,000 expire in calendar 2011, 7,040,000 expire in calendar 2012, and 700,000 expire in calendar 2013.

As at March 31, 2009, there were 3,440,686 compensation stock options outstanding with a weighted average exercise price of \$0.33, of which 1,264,686 expire in calendar 2009, and 2,176,000 expire in calendar 2010.

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	\$ 34,500
2010	48,333
2011	<u>20,833</u>
	<u>\$103,666</u>

b). 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 March 31, 2009, the Company is committed to incurring approximately 2,505,780 in CEE by December 31, 2009 arising from the flow-through offerings.

SUBSEQUENT EVENT

On May 21, 2009 the Company announced that Sage and Consolidated Puma Minerals Corp. have entered into an arrangement agreement providing for Sage to acquire all of the outstanding shares of Puma in an all share transaction. Under the terms of the agreement, Puma shares will be acquired at a share exchange ratio of 1.137 shares of Sage for each Puma share. Based on the currently outstanding shares of Puma, Sage would issue approximately 58.9 million shares to acquire all of the currently outstanding Puma shares resulting in Puma shareholders holding approximately 25% of the combined entity. Puma's outstanding options will be adjusted in accordance with their terms so that the number of Sage shares to be received upon exercise will proportionately reflect the share exchange ratio described above. It is anticipated that this transaction will close in July, 2009.

The combined entity will retain the Sage Gold Inc. name and trading symbol SGX on the Toronto Venture Exchange.

The transaction is to be effected pursuant to a plan of arrangement under the Business Corporations Act (British Columbia), which will require approval of the shareholders of Puma holding at least 66 2/3% of the shares of Puma voted at a shareholders meeting. Completion of the transaction is subject to a number of other conditions precedent, including receipt by Puma of a favourable fairness opinion, and receipt of all necessary shareholder, stock exchange, court and regulatory approvals.

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 Company.

(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 March 31, 2009.

(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 March 31, 2009.

(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 March 31, 2009

(j) 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 March 31, 2009.

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) 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 Section 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 of 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 equivalent to the corresponding provisions for IFRS IAS-27, "Consolidated and Separate Financial Statements". The Company is in the process of evaluating the requirements of the new standards.

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.