

SAGE GOLD INC. - MANAGEMENT DISCUSSION AND ANALYSIS

SECOND QUARTER ENDED MARCH 31, 2010

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 2010 ended March 31, 2010. 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 2009, 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 is dated May 27, 2010.

Overview of Operations

Sage is a mineral exploration and development company which has interests in exploration properties in Ontario and Nevada. Its main properties are the recently optioned Borealis Gold project in Nevada, the Clavos Gold project in Timmins, and its on-going exploration in the Beardmore-Geraldton Gold camp. 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. 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.

In the latter half of fiscal 2010 the Company will be involved in developing the work programs on the Borealis property with Gryphon Gold Corporation, ("Gryphon"), which may lead to exploration and development expenditures in Nevada in 2010 (see "Property Acquisitions"). The Company's programs will also focus on the Clavos property located in the Timmins Mining District in Northeastern Ontario (see "Property Acquisitions") and the exploration properties in the Beardmore- Geraldton area of Ontario.

During the first six months of fiscal 2010 the Company spent an aggregate of \$1,332,377 on its Canadian properties and \$110,907 on the Borealis property in the U.S.

Mineral Properties

The following is a list of the Company's projects and properties as at May 27, 2010.

Ontario	Location	Sage interest	Acres
Beardmore-Geraldton Gold camp	Beardmore and Geraldton	100%	90,029
Beardmore-Geraldton Gold camp	Beardmore and Geraldton	Option 100%	14,625
Beardmore-Geraldton Gold camp	Beardmore and Geraldton	Lease 100%	912
Timmins Gold camp	Timmins Mining District	Option 100%	3,795
Timmins Gold camp	Timmins Mining District	Option 60%	2,560

Quebec			
Chibougamau Barlow Fancamp	Barlow /Fancamp Townships	100%	356
Malartic	Malartic Township	100%	845
Fort Chimo Gold	Rougemont/ Chute de la Pyrite Townships	75%	1,344

Nevada			
Gryphon-Borealis	Mineral County	Option 50%	15,020

Property Acquisitions

Borealis project

On February 23, 2010 Sage and 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. The majority of the principal operating permits for the development and production of the oxide resource have been received. Under the LOI, Sage has the option to earn an undivided 50% interest in the Borealis project. The option exercise terms are as follows:

- Sage made a US\$100,000 cash payment concurrent with the LOI.
- Sage agreed to invest US \$400,000 in a private placement in Gryphon units by investing US \$200,000 by June 6, 2010 and a further subscription of US \$200,000 by August 16, 2010 based on a subscription price equal to a 5% premium to the 30-day volume weighted average trading price preceding the subscription date, subject to TSX Venture Exchange approval. Each unit comprises one common share and one half of a share purchase warrant.
- Sage and Gryphon entered into a definitive option agreement on March 4, 2010
- The option agreement, as amended, provides for an option period through June 30, 2011, which may be extended for a period of up to six months, and provides for a Borealis project team to advance the Borealis project during the option period.
- Sage and Gryphon will jointly fund the approved expenditures during the option period, subject to certain exceptions and adjustments.
- Sage will invest US \$9,000,000 as and by way of a capital contribution to the joint venture if Sage elects to exercise its option to acquire its 50% participating interest.
- Sage (together with Gryphon) will arrange project financing.

- Sage will issue to Gryphon common shares of Sage with a value equal to US \$1,000,000, subject to TSX Venture exchange approval, or will make the payment in cash upon exercise of the option.
- Upon the classification of an additional 100,000 ounces of gold reserves as proven and probable, Sage will pay Gryphon a cash payment of US \$1,000,000, and up to an additional US \$1,000,000 for up to an additional 100,000 ounces of gold reserves classified as proven and probable (maximum US \$2,000,000).
Advisory fees related to this transaction payable by Sage of 2,000,000 Sage shares (200,000 shares post-consolidation) and 2,000,000 two year warrants (200,000 warrants post-consolidation) exercisable to purchase Sage shares at \$0.06 per share (\$0.60 post consolidation). (See "Disclosure of Outstanding Share Data").

Sage has also announced that SRK Consulting (U.S.) Inc. ("SRK") is being engaged to prepare a bankable study of the project's economics for use in financing the project. In addition, the Company announced that Gryphon, at its expense, has commenced a drilling program to confirm and potentially expand resources at Borealis.

The current drilling program is designed to upgrade inferred oxide resources reported in Gryphon's 2008 NI 43-101 "Technical Report on the Mineral Resource of the Borealis Gold Project Located in Mineral County, Nevada, USA" to the Measured and Indicated category and to potentially add additional oxide ounces to the Borealis resource. Drilling will test multiple targets within the permitted mining area with the designed intent of increasing resources for the short term mine plan. Targets include extensions of known ore zones, infill drilling and identification of additional mineralized zones.

The technical information relating to the Borealis project in this MD&A was approved by Mr. Steven Craig, VP of Exploration of Gryphon Gold, who is a Qualified Person as defined by National Instrument 43-101 of the Canadian Securities Administrators.

Clavos project

On February 9, 2010 the Company entered into an Option Agreement 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 (see "Subsequent Event").
- Sage shares having an aggregate market value of \$105,000 and \$105,000 in cash payments on the first, second and third anniversaries of the effective date of the Option Agreement.
- \$500,000 expenditures in the first year with \$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 and the further development of the property shall be governed by the Joint Venture Agreement. Without limitation, the Joint Venture 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% NSR.

Exploration Activities

Ontario, Canada

Exploration activities in Canada during the second quarter of fiscal 2010 were minimized as the Company focused on the option agreements with St. Andrew Goldfields and Gryphon Gold Corporation. The option agreements on the Clavos and Borealis projects, with near term production potential,

complements the existing exploration properties in the Beardmore-Geraldton Gold camp, where a follow up program is planned for the summer of 2010 to expand on the prior year's exploration results.

Financing Activities

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.

Mineral Properties

Refer to Consolidated Statements of Mineral Properties in the March 31, 2010 unaudited consolidated financial statements for a breakdown of material costs.

Description	Cumulative to September 30, 2009	Additions	Cumulative to March 31, 2010
Kerrs Property	\$ 780,000	\$ (780,000)	\$ nil
Onaman Property	7,728,704	105,592	7,834,296
Jacobus Property	5,343,295	66,463	5,409,758
Hopkins Properties	270,026	12,308	282,334
Other Beardmore/Geraldton Properties	1,831,575	1,212,793	3,044,368
Clavos Project	-	54,362	54,362
Borealis Project	-	110,907	110,907
	\$ 15,953,600	\$ 782,425	\$ 16,736,025

For a description of these properties, refer to Note 6 of the Company's audited consolidated financial statements as at September 30, 2009, to Note 5 of the unaudited consolidated financial statements as at March 31, 2010, as well as the Company's website at www.sagegoldinc.com.

Results of Operations

Second Quarter ended March 31, 2010

Sage's operations in the second quarter of fiscal 2010 were focused on exploration, and the Company did not generate any operating revenue. Net loss for the second quarter of fiscal 2010 was \$477,918 and a loss of \$0.02 per share, compared to a loss of \$526,953 and a loss per share of \$0.03 (restated to reflect the share consolidation of May 12, 2010) for the comparable quarter in fiscal 2009. The decreased loss was primarily due to:

- a write off of mineral properties of \$76,169 in fiscal 2009 with no comparable write off in the current year.
- stock-based compensation expensed in the quarter in 2010 was \$44,197 compared to an expense of \$3,893 in the second quarter of 2009. Stock-based compensation expense relates to the granting of options to directors, officers, employees and consultants and the corresponding amortization of the benefit over the related vesting period. Users of financial statements should be cautious of the valuation of stock-based compensation since its calculation is subjective and can impact net loss significantly.

As stock-based compensation expense is non-cash in nature, actual comparative cash-related expenses were \$427,723 in the current three month period; a decline from \$445,345 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, 2010 \$	First Quarter Dec. 31, 2009 \$	Fourth Quarter Sept. 30, 2009 \$	Third Quarter June 30, 2009 \$
Expenses	477,918	522,693	2,216,286	1,227,283
Net income (loss) (including interest income)	(477,918)	(522,303)	(2,836,841)	(1,227,283)
Net income (loss) per share (a)	(0.02)	(0.02)	(0.16)	(0.07)
Cash flow from (used in) operations	(83,798)	(930,051)	(163,557)	(109,813)
Cash & cash equivalents, end of period	309,418	872,027	454,065	91,480
Assets	18,004,498	18,246,401	18,510,905	17,202,724

	Second Quarter March 31, 2010 \$	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 (a)	(0.03)	(0.03)	(0.04)	(0.05)
Cash flow from (used in) operations	(414,588)	(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

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

Six Months ended March 31, 2010

Sage's operations in the first six months of 2010 were focused on exploration and financing, and the Company did not generate any operating revenue. Net loss for the six month period ending March 31, 2010 of fiscal 2010 was \$1,000,221 and a loss of \$0.04 per share, compared to a loss of \$1,083,123 and a loss per share of \$0.06 for the comparable period in fiscal 2009. The decreased loss was primarily due to:

- a write off of mineral properties of \$76,169 in fiscal 2009 with no comparable write off in the current year.
- stock-based compensation expensed in the first half in 2010 was \$92,626 compared to an expense of \$57,083 in the comparable period in 2009. Stock-based compensation expense relates to the granting of options to directors, officers, employees and consultants and the corresponding amortization of the benefit over the related vesting period. Users of financial statements should be cautious of the valuation of stock-based compensation since its calculation is subjective and can impact net loss significantly.

- professional fees, net of stock-based compensation expense, were \$255,392 for the six month period ending March 31, 2010 compared to \$155,022 for the same period in the prior year. The current year's costs include higher legal expenses of \$60,449, related primarily to the sale of the Kerrs property to Sheltered Oak Resources Corp. and assistance in the acquisition of the option on the Borealis project, and increased costs related to the creation of an advisory committee to management pursuant to the acquisition of Consolidated Puma Minerals Corp. in the fourth quarter of fiscal 2009.
- flow-through tax penalty costs were \$122,845 for the six month period ended March 31, 2009 as compared to \$4,921 for the current period in fiscal 2010. The penalty relates to the timing of raising cash in the capital markets through flow-through share offerings and the incurrence of corresponding expenditures to offset the corporate obligation once the expenditures have been renounced.

For the year-to-date period, stock-based compensation expense totalled \$92,626 for the six months ended March 31, 2010 compared to \$57,083 for the six month period ended March 31, 2009. As this expense is non-cash in nature, actual comparative cash-related expenses declined by \$56,946 between the comparative periods, principally due to the decrease 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, 2010 and 2009 and were prepared in accordance with Canadian GAAP.

	Six Months to March 31 2010 \$	Six Months to March 31 2009 \$
Expenses	1,001,611	1,093,068
Net loss (including interest income)	(1,000,221)	(1,083,123)
Net income (loss) per share	(0.04)	(0.06)
Cash flow used in operations	(1,013,849)	(1,127,717)
Cash & cash equivalents, end of period	309,418	90,524
Assets	18,004,498	18,193,797

LIQUIDITY AND CAPITAL RESOURCES

At the end of the second quarter of fiscal 2010 Sage reported working capital of \$577,737 (\$1,329,734 – fiscal 2009), cash & cash equivalents of \$309,418 (\$90,524 – fiscal 2009), and short term investments of \$20,000 (\$1,074,697 – fiscal 2009). Included in the working capital as at March 31, 2010 is a receivable from Sheltered Oak Resources Corp. in the amount of \$500,000 relating to the sale of the Kerrs Gold property in the first quarter of fiscal 2010. This receivable is due on or before December 22, 2010. The working capital amount at the end of the second quarter of fiscal 2010 is not sufficient to support the Company's operating expenses and proposed exploration budget for 2010. The Company completed a flow-through financing for \$804,000 on December 18, 2009 and anticipates that additional flow-through financing may be required depending upon the exploration program in Canada in 2010. In addition to further flow-through financings in 2010 the Company will need to raise additional non flow-through financing to fund the related operating expenses required to manage the Company through fiscal 2010. The consolidated financial statements as at March 31, 2010 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 2010; therefore it will rely on its ability to obtain equity financing for operations. The Company raised \$3,779,493 (net of costs) in equity financing in fiscal 2009, and \$718,360 (net of costs) in financing in the first half of fiscal 2010. 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, 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 2010, management and consulting expenses of \$91,750 (fiscal 2009 - \$87,250) were paid or accrued to officers or a corporation whose shareholder is a director or officer of the Company.

During the second quarter of fiscal 2010, mineral property expenditures include consulting fees of \$nil (fiscal 2009 - \$11,250) paid to an officer of the Company.

Directors fees accrued to independent directors in the second quarter of fiscal 2010 amounted to \$15,000 (fiscal 2009 - \$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, 2010 is \$81,942 (March 31, 2009 - \$82,503) 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. 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. As at March 31, 2010 the common shares of the Company have been restated to reflect the consolidation. As of the date of this report, on a post-consolidation basis, there were 26,508,530 common shares issued.

As of the date of this report, also stated on a post-consolidation basis, there were 3,220,925 warrants outstanding with a weighted average exercise price of \$1.42 of which 1,380,000 expire in calendar 2010 and 1,840,925 expire in 2011.

As of the date of this report, on a post-consolidation basis, there were 2,107,070 stock options outstanding with a weighted average exercise price of \$2.40 of which 101,500 expire in calendar 2010, 504,620 expire in calendar 2011, 675,500 expire in calendar 2012, 181,210 expire in calendar 2013, and 644,240 expire in calendar 2014.

As of the date of this report, on a post-consolidation basis, there were 378,280 compensation stock options outstanding with a weighted average exercise price of \$1.46, of which 217,600 expire in calendar 2010, and 160,680 expire in calendar 2011.

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:

2010	\$ 24,167
2011	<u>20,833</u>
	\$ <u>45,000</u>

b) The Company renounced the flow-through offerings that occurred in December 2009. 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, 2010, the Company is committed to incurring approximately \$517,000 in CEE by December 31, 2010 arising from the flow-through offerings.

SUBSEQUENT EVENT

On May 12, 2010, the one (1) for ten (10) share consolidation of the Company's common shares was approved by the TSXV Exchange and the Company's common shares began trading on a consolidated basis on May 14, 2010.

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 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 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

Section 3064 of the CICA Handbook, Goodwill and intangible assets, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and expenses during the pre-operating period. As a result of the withdrawal of EIC 27, the Corporation may no longer be able to defer costs and revenues incurred prior to commercial production at new operations.

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, 2010.

FUTURE ACCOUNTING CHANGES

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

The AcSB has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, effective for fiscal years beginning on or after January 1, 2011. Accordingly, the Company will report interim and annual financial statements (with comparatives) in accordance with IFRS beginning with the quarter ended December 31, 2011.

The Company has commenced the development of an IFRS implementation plan to prepare for this transition, and is in the process of analyzing the key areas where changes to current accounting policies may be required. While an analysis will be required for all accounting policies, the initial key areas of assessment will include:

- Exploration and development expenditures;
- Stock-based compensation;
- Accounting for income taxes; and
- First-time adoption of International Financial Reporting Standards (IFRS 1).

As the analysis of each of the key areas progresses, other elements of the Company's IFRS implementation plan will also be addressed, including: the implication of changes to accounting policies and processes; financial statement note disclosures on information technology; internal controls; contractual arrangements; and employee training. The table below summarizes the expected timing of activities related to the Company's transition to IFRS.

Initial analysis of key areas for which changes to accounting policies may be required	Q3 (June 30, 2010)
Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives	Throughout fiscal 2010
Assessment of first-time adoption (IFRS 1) requirements and alternatives	Throughout fiscal 2010
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives	Q4 (September 30, 2010) – Q1 (December 31, 2010)
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	Q4 (September 30, 2010) – Q2 (March 31, 2011)
Management and employee education and training	Throughout the transition process
Quantification of the Financial Statement impact of changes in accounting policies	Throughout fiscal 2011

(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.

(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.

This will be effective for the year ending September 30, 2010. The Company is currently assessing the impact of this change.

RISK CONSIDERATIONS

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.

Additional Disclosure for Venture Issuers Without Significant Revenue

Discussion regarding the Company's Share Capital and Capital Deficiency may be found under Note 7 of the unconsolidated financial statements for the second quarter of 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.