SAGE GOLD INC. - MANAGEMENT DISCUSSION AND ANALYSIS
THIRD QUARTER ENDED JUNE 30, 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 third quarter of fiscal 2010 ended June 30, 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. Information contained herein is presented as at August 26, 2010, unless otherwise indicated.

Cautionary Note 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.

Overview of Operations

Sage is a mineral exploration and development company which has interests in exploration properties in Ontario. Its main properties are the recently optioned 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 calendar 2010 the Company's programs will focus on the Clavos property located in the Timmins Mining District in Northeastern Ontario and the exploration properties in the Beardmore-Geraldton area of Ontario.

During the first nine months of fiscal 2010 the Company paid or accrued an aggregate of $1,665,863 on its Canadian properties.

Mineral Properties

The following is a list of the Company's projects and properties as at August 26, 2010.

Ontario	***Location***	***Sage interest***	***Acres***
Beardmore-Geraldton Gold camp	Beardmore and Geraldton	100%	71,629
Beardmore-Geraldton Gold camp	Beardmore and Geraldton	Option 100%	14,145
Beardmore-Geraldton Gold camp	Beardmore and Geraldton	Lease100%	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%	225
Fort Chimo Gold	Rougemont/ Chute de la Pyrite Townships	75%	1,344

Property Transactions

Clavos project

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

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

- Sage issued 500,000 Sage shares (50,000 shares post-consolidation) and made a cash payment of $25,000 pursuant to Exchange approval of the Option Agreement on February 12, 2010.
- Sage shares having an aggregate market value of $105,000 and $105,000 in cash payments on the first, second and third anniversaries of the effective date of the Option Agreement.

- $500,000 expenditures in the first year within a total of $3.0 million exploration expenditures for the three year period.

Upon being vested with the 60% interest in the Property, Sage and St. Andrew Goldfields shall enter into a Joint venture Agreement 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.

Borealis project

On March 5, 2010 Sage and Gryphon Gold Corporation ("Gryphon") signed an Option Agreement 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.

During the third fiscal quarter of 2010 the Company incurred costs aggregating $352,853 relating to acquisition and due diligence expenditures. On August 17, 2010 Sage and Gryphon announced that they had mutually agreed to terminate the Option Agreement. Accordingly, all costs related to the property were written off during the third quarter of the current fiscal year.

See Subsequent Events.

Exploration Activities

Ontario, Canada

Exploration activities in Canada during the third quarter of fiscal 2010 were minimized as the Company focused on the option agreements with St. Andrew Goldfields and Gryphon Gold Corporation. The option agreement on the Clavos project, 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 fall of 2010 to expand on the prior year's exploration results.

Financing Activities

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

The Company paid finders' fees of $40,930 in cash together with 280,603 compensation options on the same terms and conditions as the subscribers' warrants.

All these securities are subject to a four month hold period, which expires on October 2, 2010 with respect to the first tranche.

See Subsequent Events.

Mineral Properties

Refer to Consolidated Statements of Mineral Properties in the June 30, 2010 unaudited consolidated financial statements for a breakdown of material costs.

Description	Cumulative to September 30, 2009	Additions	Cumulative to June 30, 2010
Kerrs Property	$ 780,000	$ (780,000)	$ nil
Onaman Property	7,728,704	133,369	7,862,073
Jacobus Property	5,343,295	122,197	5,465,492
Other Properties	270,026	12,417	282,443
Beardmore-Geraldton Properties	1,831,575	1,218,583	3,050,158
Clavos Project	-	71,481	71,481
	$ 15,953,600	$ 778,047	$ 16,731,647

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

Results of Operations

Third Quarter ended June 30, 2010

Sage's operations in the third quarter of fiscal 2010 were focused on exploration, and the Company did not generate any operating revenue. Net loss for the third quarter of fiscal 2010 was $932,186 and a loss of $0.03 per share, compared to a loss of $1,227,283 and a loss per share of $0.07 (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 $843,047 in fiscal 2009 compared to a write off of $352,853 in the current year.
- higher general and administrative costs in fiscal 2010 of $473,281 compared to costs of $380,796 in fiscal 2009.
- a loss on settlement of debt of $100,000 in fiscal 2010 with no comparable amount in fiscal 2009.

In the third quarter of fiscal 2009 the Company wrote off its full investment in the Pony Spur, Dike, Corridors and Sugarloaf properties in Nevada as no further exploration work was planned for the properties. In the third quarter of fiscal 2010 the Company wrote off its investment in the Borealis property as Sage and Gryphon agreed to terminate the Option Agreement. The increase in general and administrative costs related primarily to higher professional fees of $33,663, increased advertising and promotional expenditures of $20,080, higher costs for travel and entertainment of $15,659, and increased costs for transfer agent fees of $18,174 relating to the one for ten share consolidation approved by the shareholders on March 31, 2010. In addition, stock-based compensation expensed in the quarter in 2010

was $43,049 compared to an expense of $4,492 in the second quarter of 2009. The increase in professional fees relates to the increase in the Company's advisory committee subsequent to the acquisition of Consolidated Puma Minerals Corp. in August of 2009. Advertising and promotion, as well as travel and entertainment costs, rose in the current year's third quarter as management travelled to Europe and the United States to update the financial markets on the Company's progress and future plans. Transfer agents' fees rose due to the costs incurred upon the processing of the 1 for 10 stock consolidation, as approved by the shareholders on March 31, 2010, which became effective on May 14, 2010. The Company incurred a loss on settlement of debt of $100,000 when Sage and Sheltered Oak Resources Corp. agreed to a final cash settlement of $400,000 on August 4, 2010 in lieu of a full and final payment of $500,000 in December of 2010.
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 $430,232 in the current three month period; an increase from $376,304 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.

	Third Quarter June 30, 2010 $	**Second Quarter** March 31, 2010 $	**First Quarter** Dec. 31, 2009 $	**Fourth Quarter** Sept. 30, 2009 $
Expenses	932,186	477,918	522,693	2,216,286
Net income (loss) (including interest income)	(932,186)	(477,918)	(522,303)	(2,836,841)
Net income (loss) per share (*a*)	(0.03)	(0.02)	(0.02)	(0.16)
Cash flow from (used in) operations	(335,447)	(83,798)	(930,051)	(163,557)
Cash & cash equivalents, end of period	295,955	309,418	872,027	545,065
Assets	18,078,170	18,004,498	18,246,401	18,510,905

	Third Quarter June 30, 2009 $	**Second Quarter** March 31, 2009 $	**First Quarter** Dec. 31, 2008 $	**Fourth Quarter** Sept. 30, 2008 $
Expenses	1,227,283	528,847	564,221	1,058,090
Net income (loss) (including interest income)	(1,227,283)	(526.953)	(556,170)	(590,251)
Net income (loss) per share (*a*)	(0.07)	(0.03)	(0.03)	(0.04)
Cash flow from (used in) operations	(109,813)	(414,588)	(713,129)	(317,184)
Cash & cash equivalents, end of period	91,480	90,524	224,755	356,186
Assets	17,202,724	18,193,797	18,740.508	16,224,860

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

Nine Months ended June 30, 2010

Sage's operations in the first nine months of 2010 were focused on exploration and financing, and the Company did not generate any operating revenue. Net loss for the nine month period ending June 30, 2010 of fiscal 2010 was $1,932,407 and a loss of $0.07 per share, compared to a loss of $2,310,406 and a loss per share of $0.13 for the comparable period in fiscal 2009. The decreased loss was primarily due to:

- a write off of mineral properties of $919,216 in fiscal 2009 compared to a write off of $352,853 in the current fiscal year.
- stock-based compensation expensed in the first nine months in 2010 was $135,675 compared to an expense of $61,575 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 $368,121 for the nine month period ending June 30, 2010 compared to $243,204 for the same period in the prior year. The current year's costs include higher legal expenses, 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 $149,309 for the nine month period ended June 30, 2009 as compared to $8,503 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 $135,675 for the nine months ended June 30, 2010 compared to $61,575 for the nine month period ended June 30, 2009. As this expense is non-cash in nature, actual comparative cash-related expenses only varied by $3,018 between the two comparable periods.

Summary of Nine Month Results

The following tables set out financial performance highlights for the nine month periods ended June 30, 2010 and 2009 and were prepared in accordance with Canadian GAAP.

	Nine Months to June 30 2010 $	**Nine Months to June 30 2009 $**
Expenses	1,932,407	2,310,406
Net loss (including interest income)	(1,932,407)	(2,310,406)
Net income (loss) per share	(0.07)	(0.13)
Cash flow used in operations	(1,349,296)	(1,237,530)
Cash & cash equivalents, end of period	295,955	91,480
Assets	18,078,170	17,202,754

LIQUIDITY AND CAPITAL RESOURCES

At the end of the third quarter of fiscal 2010 Sage reported working capital of $369,489 ($527,197 – fiscal 2009), cash & cash equivalents of $295,955 ($91,480 – fiscal 2009), and short term investments of $20,000 ($370,000 – fiscal 2009). Included in the working capital as at June 30, 2010 is a receivable from Sheltered Oak Resources Corp. in the amount of $400,000 relating to the sale of the Kerrs Gold property in the first quarter of fiscal 2010. This receivable was initially due on or before December 22, 2010, however the companies agreed subsequent to quarter end to settle the obligation immediately for the sum of $400,000 (received August 6, 2010). The working capital amount at the end of the third 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, a non flow-through financing of $793,660 in June, 2010 and a further non flow-through financing of $222,600 subsequent to the quarter end, and anticipates that additional flow-through financing may be required depending upon changes to the exploration program for the balance of the 2010 calendar year. 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 and fiscal 2011. The consolidated financial statements as at June 30, 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 the foreseeable future; 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 $1,470,290 (net of costs) in financing in the nine months 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 third 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 third quarter of fiscal 2010, mineral property expenditures include consulting fees of $nil (fiscal 2009 - $3,750) paid to an officer of the Company.

Directors fees accrued to independent directors in the third quarter of fiscal 2010 amounted to $18,750 (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 June 30, 2010 is $84,687 (June 30, 2009 - $84,766) 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 of the date of this report there were 31,359,006 common shares issued.

As of the date of this report there were 5,762,033 warrants outstanding with a weighted average exercise price of $0.94 of which 1,380,000 expire in calendar 2010, 1,840,925 expire in 2011 and 2,541,108 expire in 2012.

As of the date of this report there were 2,005,570 stock options outstanding with a weighted average exercise price of $2.40 of which 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 there were 658,883 compensation stock options outstanding with a weighted average exercise price of $0.98, of which 217,600 expire in calendar 2010, 160,680 expire in calendar 2011 and 280,603 expire in 2012.

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	$ 12,084
2011	20,833
	$ 32,917

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 June 30, 2010, the Company is committed to incurring approximately $460,000 in CEE by December 31, 2010 arising from the flow-through offerings.

SUBSEQUENT EVENTS

On July 21, 2010, the Company closed a non-brokered private placement of 1,011,818 common share units at $0.22 per unit for total proceeds of $222,660. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable to acquire one common share of the Company at $0.33 for a period of two years after the closing date.

On August 17, 2010 Sage and Gryphon announced that they had mutually agreed to terminate the Option Agreement. Accordingly, all costs related to the property were written off during the third quarter of the current fiscal year, resulting in a charge for the quarter of $352,853.

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) 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 June 30, 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	Completed
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

The Company has been working with its external auditors, PricewaterhouseCoopers LLP, to develop a step-by-step approach to ensuring that the Company will be in a position to present its first set of IFRS financial statements for the quarter ended December 31, 2011. The key areas where changes to accounting policies have been identified along with the related decision options available to the Company. During the next two quarters the Company will determine which of these options Sage will adopt for the preparation of the IFRS statements.

(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 third quarter of fiscal 2010.