

NEW SAGE ENERGY CORP.
(Formerly Consolidated New Sage Resources Ltd.)

MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended June 30, 2007

Suite 810 – 8 King Street East, Toronto, ON. M5C 1B5
Telephone: (416) 366-8211
Fax: (416) 366-7596

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The following discussion and analysis was prepared on August 28, 2007 and should be read in conjunction with the Company's financial statements and notes thereto for the three months ended June 30, 2007 and the Company's annual financial statements and notes thereto for the years ended March 31, 2007 and 2006, all of which have been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts stated herein are expressed in Canadian dollars unless otherwise specified.

This Management Discussion and Analysis may contain certain forward-looking information, such as future plans. There can be no assurance that such statements will prove to be accurate and actual results could differ materially from those anticipated in such statements. Readers are cautioned not to place undue reliance on these forward-looking statements and information.

Further information is available on the SEDAR website at www.sedar.com.

Description of the business

The Company was incorporated pursuant to the *Company Act* (British Columbia) by registration of its Memorandum and Articles on December 19, 1980 as Petro-Lux Energy Corporation; on September 7, 1982 the Company changed its name to Sage Resources Ltd. and reduced its authorized capital from 10,000,000 common shares without par value to 9,943,750 common shares without par value as a result of the return to treasury of 56,250 common shares; and on September 9, 1993, the Company increased its authorized share capital from 9,943,750 common shares to 20,000,000 common shares; on November 29, 1994, the Company increased its authorized share capital from 20,000,000 common shares to 50,000,000 common shares; effective August 6, 1996, the Company consolidated its authorized share capital on a 5:1 basis, increased its post-consolidated authorized share capital to 50,000,000 common shares and changed its name to New Sage Resources Ltd.; effective January 30, 2002, the Company consolidated its authorized share capital on a 2:1 basis, increased its post-consolidated authorized share capital to 100,000,000 common shares without par value and changed its name to Consolidated New Sage Resources Ltd. On October 24, 2003, the Company was continued under the Canada Business Corporations Act and increased its share capital to an unlimited number of common shares. On May 24, 2007 the Company changed its name to New Sage Energy Corp. and now trades on the TSX Venture Exchange under the symbol "NSG".

Developments for the three months ended June 30, 2007

On April 19, 2007, the Company announced that it was undertaking a change in strategic direction to identify and develop opportunities in the energy industry with a particular focus on oil and gas. In connection with this undertaking, the Company changed its name to New Sage Energy Corp. and on May 24, 2007, the Company's shares began trading under the new name with the ticker symbol "NSG". The Company also moved its head office to Toronto, Canada.

On April 19, 2007, the Company also granted options to purchase up to 1,900,000 common share of the Company at a price of \$0.25 per share to officers, directors and consultants.

On May 7, 2007, the Company announced that it had negotiated a non-brokered private placement of up to 12,500,000 units at \$0.40 per unit, each unit consisting of one common share and one-half of one common share purchase warrant, each full warrant entitling the holder to buy one additional common share for \$0.50 for a period of two years from closing. The gross proceeds of \$5,000,000 are to be used by the Company to provide working capital and to enable the Company to identify, acquire and develop new oil and gas properties.

On June 22, 2007, the Company announced that it had closed the first tranche of this non-brokered private placement through the issuance of 3,397,500 units at \$0.40 per unit for gross proceeds of \$1,359,000. In connection with this, the Company issued 1,698,750 common share purchase warrants entitling the holder to acquire one additional common share at a price of \$0.50 until June 21, 2009.

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Prior to June 30, 2007, the Company also collected proceeds of \$142,000 representing 355,000 units at \$0.40 per unit towards the second tranche of the non-brokered private placement. No common shares or share purchase warrants have been issued in respect of these units.

Consistent with its change in strategic direction, on June 15, 2007, the Company entered into a joint venture with a private Canadian oil and gas company focused on exploiting oil and gas business opportunities in South America. Under the terms of the joint venture agreement, which has yet to take effect, the Company has purchased 3,600,000 shares of the private company at US\$0.50 per share for a total of US\$1,800,000 and has the option to earn up to a 10% interest in the projects held by the private company. The shares acquired by the Company represent less than ten percent of the outstanding shares of the private company. It is the ultimate intention of the private company to go public.

Developments subsequent to June 30, 2007:

Subsequent to June 30, 2007, the Company received proceeds of \$40,000 for an additional 100,000 units of the second tranche of the non-brokered private placement bringing the total funds received in respect of the second tranche to \$182,000 representing 455,000 units at \$0.40 per unit.

Financial Analysis

Three month period ended June 30, 2007 compared to 2006

	Three Months Ended June 30,	
	2007	2006
Accounting and audit fees	\$ 7,949	\$ 9,861
Legal fees	4,387	12,780
Office and General	12,551	2,367
Regulatory Fees	4,048	6,620
Rent	7,400	600
Stock Based Compensation	138,803	18,580
Investor relations	1,809	—
Transfer agent	776	1,826
Interest income	(3,164)	(240)
Gain on foreign exchange	(997)	(12)
Bank charges	209	—
Net Loss for Quarter	<u>\$ 173,771</u>	<u>\$ 52,382</u>

The loss for the quarter ended June 30, 2007 was \$173,771 of \$0.009 per share compared to \$52,634 or \$0.004 per share for the quarter ended June 30, 2006. The Company recorded stock-based compensation expense of \$138,803, related largely to the grant of 1,900,000 stock options on April 19, 2007 compared to \$18,580 in the three months ended June 30, 2006. On May 24, 2007 the Company also announced that it had moved its head office to Toronto. Overall, general and administrative expenses were comparable to the same period in 2006. A decline in legal fees from \$12,780 for the quarter ended June 30, 2006 to \$4,387 for the quarter ended June 30, 2007 was more than offset by increases in office costs from \$2,367 to \$12,551 and in rent from \$600 to \$7,400 during the three months ended June 30, 2007 compared to June 30, 2006. Office and General increased due to certain expenses associated with opening the new office in Toronto. The new Toronto lease also resulted in higher rent expense.

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Liquidity and Capital Resources

Cash and Solvency

As at June 30, 2007, the Company had cash and cash equivalents of \$127,049 and a working capital deficiency of \$53,098 compared with cash and cash equivalents of \$459,678 and a working capital balance of \$401,086 at March 31, 2007. As the Company has no sources of revenue other than a small amount of interest income, it will have to rely upon the sale of equity securities, including private placements, exercise of warrants, and exercise of options to provide funding for acquisition, exploration and development of its oil and gas or mineral interests, and for administrative expenses. In the immediate term, the Company plans to continue raising funds through the second tranche of its non-brokered private placement.

Operating Activities

Cash flow used in operations in the first quarter was \$50,035 compared to a use of funds of \$52,418 in the quarter ended June 30, 2006

Investing Activities

On June 15, 2007, the Company entered into a joint venture with a private Canadian oil and gas company focused on exploiting oil and gas business opportunities in South America. Under the terms of the joint venture agreement, which has yet to take effect, the Company has purchased 3,600,000 shares of the private company at US\$0.50 per share for a total of US\$1,800,000 and has the option to earn up to a 10% interest in the projects held by the private company.

Financing Activities

Cash provided by financing activities in the current quarter amounted to \$1,649,429 compared to cash provided by financing activities of \$506,301 in the same quarter of the prior year. On June 22, 2007, the Company closed the first tranche of a non-brokered private placement consisting of 3,397,500 units at \$0.40 per unit for a total consideration of \$1,359,000. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at \$0.50 until June 21, 2009. No finders' fee was paid in connection with this private placement, however share issue costs of \$4,446 were incurred. In addition to this first tranche, the Company announced plans to complete a second tranche of the non-brokered private placement on the same terms, of up to an additional 9,102,500 units at \$0.40 a unit for additional gross proceeds of \$3,641,000. Gross proceeds of \$142,000, representing 355,000 units and \$40,000 representing 100,000 units, was paid to the Company prior to and subsequent to June 30, 2007 respectively, for which common shares and common share purchase warrants have yet to be issued.

This compared to the three months ended June 30, 2006, during which the Company received \$560,000 net of share issue costs of \$4,500 from a private placement for 7,000,000 units at \$0.08 per unit. Each unit consisted of one share and one share purchase warrant entitling the holder to purchase one additional common share at \$0.105 until June 8, 2008. The Company also issued 93,750 shares as a finders' fee.

Funds received by the Company from trust for the first tranche of the non-brokered private placement contained an additional \$20,625 remitted to the Company in error. This amount will be repaid from funds received from the second tranche of the non-brokered private placement.

In June 2007, the Company temporarily borrowed \$230,000 from a private company controlled by a director and officer of the Company. \$115,000 of this amount was repaid within June while the remaining \$115,000 was repaid on July 24, 2007. The loan was non-interest bearing and unsecured. During the quarter ended June 30, 2006, the Company repaid

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promissory notes and interest payable of \$49,199 owing to other parties related to the Company.

During the three months ended June 30, 2007, the Company received \$15,750 from the exercise of 150,000 warrants and \$1,500 from the exercise of 10,000 stock options. No warrant or option exercises occurred in the three month period ended June 30, 2006.

Mineral Properties - Seppelt Project

During the fourth quarter of the prior fiscal year, the Company wrote-off the remaining deferred costs of the Seppelt Project to \$Nil due to the Company's new business direction.

Caution regarding Mineral Properties

The Company is in the process of exploring its resource properties and has not yet determined whether the properties contain minerals or mineral reserves that are economically recoverable. The recoverability of the amounts shown for resource properties and any related deferred costs is dependent on the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the development and future profitable production from the properties or proceeds from the disposition thereof.

Related Party Transactions

Legal fees of \$4,387 were incurred in the three month period ended June 30, 2007 (2006 - \$12,780) with a law firm in which a personal law corporation controlled by the then corporate secretary of the Company is a principal.

The Company shares its premises with another company with common directors. The Company reimburses the related company for its proportional share of expenses.

During the quarter ended June 30, 2007, directors and officers of the Company were granted 750,000 options to purchase common shares of the Company at \$0.25 per share (2006 – 500,000 at \$0.14).

During the quarter ended June 30, 2007, an officer of the Company subscribed for shares as part of the first tranche of a non-brokered private placement. 250,000 units were issued to this officer for gross proceeds of \$100,000.

Changes in Accounting Policies and Recent Accounting Pronouncements

Effective April 1, 2007, the Company adopted three new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") in 2005: Handbook Section 3855, Financial Instruments – Recognition and Measurement, Handbook Section 1530, Comprehensive Income and Handbook Section 3865, Hedges. The new standards and accounting policy changes are as follows:

Financial Instruments – Recognition and Measurement (CICA Handbook Section 3855)

This standard prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based methods are used to measure the recorded amounts. It also specifies how financial instrument gains and losses are to be presented. All derivatives are recorded on the balance sheet at fair value. Mark-to-market adjustments on these instruments are included in net income, unless the instruments are designated as part of a cash flow hedge relationship.

All other financial instruments will be recorded at cost or amortized cost, subject to impairment reviews. The criteria for assessing other than temporary impairment remain unchanged. Transaction costs incurred to acquire financial instruments are included in the underlying balance. Regular-way purchases and sales of financial assets are accounted

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for on the trade date.

Comprehensive Income (CICA Handbook Section 1530)

This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on available for sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until the period that the related asset or liability affects income.

For the period ended June 30, 2007, the Company did not have other comprehensive income or loss, therefore the comprehensive loss for the period is equal to the net loss for the period.

Hedges (CICA Handbook Section 3865)

This standard is applicable when a company chooses to designate a hedging relationship for accounting purposes. It builds on the previous AcG-13 "Hedging Relationships" and Section 1650 "Foreign Currency Translation", by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. The Company currently does not have any instruments that are covered in this standard.

The Company has determined that the adoption of these new policies had no material impact on its consolidated financial statements and determined that no adjustments are required for the period ended June 30, 2007.

Equity (CICA Handbook Section 3251)

Effective April 1, 2007, the Company adopted the new recommendations of CICA Handbook Section 3251, "Equity" prospectively. This standard establishes requirements for the presentation of equity and changes in equity during the reporting period.

Accounting Changes (CICA Handbook Section 1506)

In July 2006, the CICA reissued Handbook Section 1506 "Accounting Changes" which is effective for fiscal years beginning on or after January 1, 2007. Under this standard, voluntary changes in accounting policy are only made when they result in the financial statements providing more reliable and more relevant information. Changes in accounting policy are applied retrospectively unless doing so is impracticable or the change in accounting policy is made on initial application of a primary source of GAAP. A change in accounting estimate is generally recognized prospectively and material prior period errors are amended through restatements. New disclosures are required in respect of such accounting changes. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes.

Recent pronouncements

- (i) In February 2007, the CICA issued Section 1535, "Capital Disclosures" which is effective for fiscal years beginning on or after October 1, 2007. This standard requires disclosure of information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. The Company will adopt this standard for the fiscal year commencing April 1, 2008. The Company does not expect the adoption of this standard to have a significant effect on its financial statements.
- (ii) In February 2007, the CICA issued Section 3862 "Financial Instruments – Disclosure" and Section 3863 "Financial Instruments – Presentation", which are effective for fiscal years beginning on or after October 1,

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2007. The objective of Section 3862 is to provide financial statement disclosure to enable users to evaluate the significance of financial instruments for the Company's financial position and performance and the nature and extent of risks arising from financial instruments that the Company is exposed to during the reporting period and the balance sheet date and how the Company is managing those risks. The purpose of Section 3863 is to enhance the financial statement user's understanding of the significance of financial instruments to the Company's financial position, performance and cash flows. The Company will adopt this standard for the fiscal year commencing April 1, 2008.

- (iii) May 2007, the CICA issued new Handbook Section 3031, "Inventories", that supersedes Handbook Section 3030 to converge Canadian standards with IAS 2, Inventories. This standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-downs to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories and allows for the reversals of write-downs when there is a subsequent increase in the value of inventories. Disclosure requirements will include the Company's policies, carrying amounts, amounts recognized as an expense, write-downs and subsequent reversal of write-downs. This standard is effective for fiscal years beginning on or after January 1, 2008. The Company will adopt this standard for the fiscal year commencing April 1, 2008 and is currently assessing the impact that this standard will have on the Company's financial statements, if any.

Outstanding Share Data

As at June 30, 2007 there were 23,412,764 common shares outstanding. There were also 675,000 stock options outstanding to purchase shares at \$0.15 per share expiring on February 13, 2009; 500,000 outstanding to purchase shares at \$0.14, expiring June 8, 2001; 300,000 options outstanding to purchase shares at \$0.18 expiring July 12, 2011, and 1,900,000 stock options outstanding to purchase shares at \$0.25 expiring April 19, 2012. The Company also has 6,812,500 warrants outstanding to purchase shares at \$0.105 expiring June 5, 2008; and 1,698,750 warrants outstanding to purchase shares at \$0.50 expiring June 21, 2009.

Selected Quarterly Financial Information

The following table summarizes information derived from the Company's financial statements for each of the eight most recently completed quarters:

Quarter Ended: Year:	June 30 2007	Mar 31 2007	Dec 31 2006	Sept 30 2006	June 30 2006	Mar 31 2006	Dec 31 2005	Sept 30 2005
Total Revenues	\$ 3,164	\$ 4,096	\$ 4,015	\$ 4,197	\$ 240	\$ —	\$ —	\$ 16
Loss in total	\$ 173,771	\$ 324,411	\$ 45,363	\$ 65,846	\$ 52,382	\$ 16,606	\$ 10,469	\$ 20,167
Per share basis ⁽¹⁾	\$ 0.009	\$ 0.016	\$ 0.002	\$ 0.003	\$ 0.004	\$ 0.001	\$ 0.001	\$ 0.002

⁽¹⁾ Fully diluted loss per share amounts have not been calculated as they would be anti-dilutive

The fluctuations in quarterly losses were primarily due to the following:

- The June 2007 loss was primarily the result of stock compensation expense of \$138,803 in addition to general and administrative amounts.
- The higher loss in the March, 2007 quarter was due to the \$300,000 write-off of mineral property costs.
- The December, 2006 loss was lower than September due to consulting fees and higher regulatory fees incurred in the prior quarter.

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- The September, 2006 loss was higher than the June quarter due to higher stock-based compensation expense, consulting fees and higher rent expense.
- The June, 2006 loss was higher than the previous quarter due to higher stock-based compensation expense, and completion of the audited financials, annual general meeting materials, regulatory fees, and other related costs.
- The higher March, 2006 loss compared to December was due to additional stock based compensation of \$6,500 recorded in the quarter. This was offset by lower accounting audit and legal costs as the Company was relatively inactive during the quarter.
- The lower December, 2005 loss compared to September is primarily the result of the annual expenses included in the previous quarter.
- The higher loss in the September, 2005 quarter was principally due to higher legal, accounting, transfer agent and filing fee expenses relating to the company's year-end, annual general meeting, and annual filing fees.

Trends, Risks and Uncertainties

The Company may operate outside of Canada which gives rise to risks from changes in foreign exchange rates. The Company is exposed to fluctuations in world commodity prices, over which it has no control. Lower prices could reduce the value of the Company's investment or cause the Company to discontinue exploration of its properties, and could make it difficult to raise funds.

The Company has invested in a private company which intends to go public. There is no guarantee that the Company will ultimately recover the value of its investment. There is also no guarantee that the private company will be successful in its bid to go public or that it will be successful in acquiring and developing projects that will ultimately be profitable to its investors.

Investor Relations

No investor relations firms were retained by the Company during the period ended June 30, 2007.

Evaluation of Disclosure Controls and Procedures

As required by Multilateral Instrument 52-109, the Company has established disclosure controls and procedures for the timely and accurate preparation of financial and other reports. The Company's certifying officers have concluded, based upon their evaluation as of June 30, 2007, that the design and operation of these disclosure controls and procedures are adequate and effective in providing reasonable assurance that material information related to the Company is made known to them by employees or third party consultants working for the Company.

In reaching this conclusion, the Company recognizes that two key factors must be and are present:

- (i) the Company is dependent upon its advisors and consultants to assist in recognizing, interpreting, understanding and complying with the various securities regulations and disclosure requirements; and
- (ii) an active Board and management with open lines of communication

The Company has a small staff with varying degrees of knowledge concerning the various regulatory disclosure requirements. The Company is not of a sufficient size nor does it possess the financial resources to internally maintain specialists in this area. As a result, the Company must rely upon the assistance of its advisors and consultants and as such, they form a part of the disclosure controls and procedures.

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In addition to being aware of the disclosure requirements, proper disclosure also necessitates sufficient involvement in the affairs of the Company such that information is communicated and received to allow the assessment of any necessary disclosure requirements. Accordingly, it is essential that there be effective communication among those individuals who manage and govern the affairs of the Company, principally the Board of Directors and senior management. The Company believes this communication exists.

It should be noted that while the Company's certifying officers believe that the disclosure controls and procedures will provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute assurance that the objectives of the control system are met. In addition, lapses in the disclosure controls could occur and/or mistakes could happen. Should this occur, the Company will take the appropriate actions necessary to immediately rectify the deficiency.

Subsequent Events

In addition to the first tranche of a private placement which closed on June 22, 2007, the Company announced plans to complete a second tranche of the non-brokered private placement of up to an additional 9,102,500 units at \$0.40 a unit for additional gross proceeds of \$3,641,000. Each unit consists of one share and one half of one common share purchase warrant, each full warrant entitling the holder to buy one additional share for \$0.50 for a period of two years from closing. A finder's fee will be payable where applicable. Gross proceeds of \$142,000, representing 355,000 units and \$40,000 representing 100,000 units, was paid to the Company prior to and subsequent to June 30, 2007 respectively, for which common shares and common share purchase warrants have yet to be issued.

Approval

The Board of directors of the Company has approved this Management Discussion and Analysis. Additional information is available on the SEDAR website at www.sedar.com.