

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

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended March 31, 2007

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MANAGEMENT DISCUSSION AND ANALYSIS
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The following discussion and analysis was prepared on July 19, 2007 and should be read in conjunction with the Company's annual financial statements and notes thereto for the years ended March 31, 2007 and 2006 which have been prepared in accordance with Canadian generally accepted accounting principles.

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, www.sedar.com.

DESCRIPTION OF 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. The Company trades on the TSX Venture Exchange under the symbol "NSG".

Selected Annual Information

The following table sets forth selected financial information for the Company for the last three completed financial years ended March 31. This information has been derived from the Company's audited financial statements for each of those years, and should be read in conjunction with those financial statements and the notes thereto.

	As at and for the financial year ended March 31,		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
(a) Total Revenues	\$ 12,548	\$ 33	\$ Nil
(b) Gain (Loss):			
i) In total	\$ (488,002)	\$ (56,100)	\$ (90,408)
ii) On a per share basis ⁽¹⁾	\$ (0.03)	\$ (0.01)	\$ (0.01)
(c) Total assets	\$ 465,388	\$ 303,502	\$ 318,193
(d) Total liabilities	\$ 64,302	\$ 124,363	\$ 91,104
(e) Total shareholders' equity	\$ 401,086	\$ 179,139	\$ 227,089

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

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Financial Analysis

Year 2007 compared to 2006

The loss for the year ended March 31, 2007 was \$488,002 compared to \$56,100 for the year ended March 31, 2006. The Company wrote off its mineral property interest of \$300,000 and also incurred \$88,262 for stock-based compensation. Consulting fees of \$13,542 and travel expenses of \$6,353 were incurred in 2007 compared to \$nil in 2006. The consulting services and travel costs were incurred to investigate potential property acquisitions by the Company. Legal fees were \$20,475 in 2007 compared to \$8,253 in 2006, due to increased activity for a private placement, granting of stock options, the name change of the Company and other legal matters. Regulatory fees increased to \$11,391 in 2007 compared to \$5,473 in 2006, for the same reasons. Office and General was \$8,527 compared to \$3,392 in 2006 due to additional promotional expenses; and rent increased to \$16,000 in 2007 from \$2,400 in 2006 due to the opening of a new office in Toronto.

Year 2006 compared to 2005

The loss for the year ended March 31, 2006 was \$56,100 compared to \$90,408. Legal fees amounted to \$8,253 in the 2006 year compared to \$26,799 in 2005; and Regulatory fees were \$5,473 in 2006 compared to \$7,652 for 2005. The increases in both legal and regulatory fees were due to costs incurred on a private placement and the granting of stock options during the 2005 year. Accounting and audit fees were \$25,745 for the 2006 year compared to \$30,335 during 2005. The reduction in the current year accounting and audit fees were due to additional work done during 2005 to complete several years Canadian corporate tax returns to bring the Company up to date. Consulting fees were \$nil in the current year, compared to \$2,500 in 2005, as the services of a former director were discontinued in May of 2004. Stock based compensation decreased by \$5,975. The amount recorded in 2006 was \$8,150 compared to \$14,125 during 2005. The decrease was due to the granting of 200,000 stock options in 2005 compared to nil in 2006.

Quarterly Results

Results for the three months ended March 31, 2007 and 2006 were as follows:

	Quarters Ended March 31,	
	2007	2006
Accounting and audit fees	\$ 4,470	\$ 5,638
Foreign Exchange Loss (Gain)	824	(556)
Legal fees	1,824	1,335
Office and General	(18)	662
Regulatory Fees	958	875
Rent	4,000	600
Stock Based Compensation	11,885	6,500
Transfer agent	1,712	1,552
Travel	2,852	—
Write-off mineral property	300,000	—
Interest income	(4,096)	—
Net Loss for Quarter	<u>\$ 324,411</u>	<u>\$ 16,606</u>

The loss for the three months ended March 31, 2007 was \$324,411 or \$0.016 per share compared to \$16,606 or \$0.001 per share for the quarter ended March 31, 2006. During the 2007 quarter, the Company wrote off \$300,000 of mineral property costs; incurred higher rent costs due to its new Toronto office, incurred additional stock based compensation costs, and received interest income of \$4,096.

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Liquidity and Capital Resources

Cash and Solvency

As at March 31, 2007, the Company had a cash balance of \$459,678 and working capital of \$401,086. 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 exploration and development of its mineral interests, and for administrative expenses.

Operating Activities

Cash flow from operations in the fourth quarter was a use of funds of \$949 compared to a use of funds of \$9,606 in the same quarter of the prior year. For the year, there was a use of funds of \$109,776 compared to a use of funds of \$34,885 in the 2006 year.

Financing Activities

Financing activities in the current quarter was \$Nil compared to a source of funds of \$593 in the same quarter of the prior year. During the current year, the Company received \$626,187 from share issuances; incurred share issue costs of \$4,500; and repaid promissory notes and interest payable of \$49,199. In the prior year, the Company received a net amount of \$17,328 from promissory note financing.

Related Party Transactions

Legal fees of \$20,475 were incurred in the 2007 fiscal year with a law firm in which the corporate secretary of the Company is a principal, and \$680 of interest was paid to a former related party.

Outstanding Share Data

As at July 12, 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.

Mineral Properties - Seppelt Project

During the current year, the management wrote-off the remaining deferred costs of the Seppelt Project to \$Nil, due to lack of activity on the property for several years, and also due to the Company's new business direction.

The Company is pursuing new property acquisitions.

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.

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Summary of Quarterly Results

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

Quarter Ended: Year:	Mar 31 2007	Dec 31 2006	Sept 30 2006	June 30 2006	Mar 31 2006	Dec 31 2005	Sept 30 2005	June 30 2005
Total Revenues	\$ 4,096	4,015	4,197	240	\$ —	\$ —	\$ 16	\$ 17
Loss in total	\$ 324,411	45,363	65,846	52,382	16,606	10,469	20,167	\$ 8,858
Per share basis ⁽¹⁾	\$ 0.016	0.002	0.003	\$ 0.004	\$ 0.001	\$ 0.001	\$ 0.002	\$ 0.001

⁽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 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.
- 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 compared to the June 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 cause the Company to discontinue exploration of its properties, and could make it difficult to raise funds.

Investor Relations

No investor relations firms were retained by the Company during the period ended March 31, 2007.

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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 March 31, 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. 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.

Internal Controls over Financial Reporting

The certifying officers of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

The design of the internal control over financial reporting was assessed as of March 31, 2007. During this process, management identified a material weakness in internal controls over financial reporting which is that due to the limited number of personnel of the Company, it is not possible to achieve a segregation of duties.

This weakness in the Company's internal controls over financial reporting results in a more than remote likelihood that a material misstatement would not be prevented or detected. Management and the Board of Directors work to mitigate the risk of a material misstatement in financial reporting by segregating duties as much as possible under the current circumstances. In spite of management's best efforts, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement. No further material weaknesses other than as described above have been identified.

Subsequent Events

Subsequent to March 31, 2007, the Company:

- i. Issued 10,000 shares for the exercise of stock options at a price of \$0.15 per share; and issued 150,000 shares for the exercise of warrants at a price of \$0.105 per share. The total proceeds of these share issuances was \$17,250.
- ii. Granted options with a fair value of \$411,927 to purchase up to 1,900,000 shares at a price of \$0.25 each to officers, directors, and consultants. The options are exercisable on or before April 19, 2012.
- iii. Announced a non-brokered private placement of up to 12,500,000 units at \$0.40 a unit, each unit consisting of one share and one-half of one 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. The Company has closed the first tranche of this private placement through the issuance of 3,397,500 units for total proceeds of \$1,359,000.

Approval

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