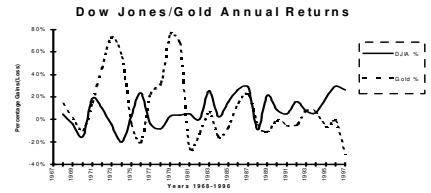




Gold

Energy & Tech Stocks



Weekly Hotline Message

(Now in our 36th Year)

March 24, 2017

New Coverage:

Sage Gold Inc.



Business: Exploration, development, and production from the Clavos Mine in the Ontario Timmins Gold Camp

Traded Toronto: SGX
 USOTC: SGGDF
 Shares Outstanding: 67.5 million
 Price 3/24/17: US\$0.13
 Market Cap: US\$9 million
 Institutional Holdings: 19%
 Management & Director Holdings: 17%
 Current Cash: ~ 3 million
 Gold Resource¹: 315,700 oz.
 Progress Rating: A2
 Telephone: 416-204-3170
 Website: www.sagegoldinc.com

The company's 43-101 resource is broken down between indicated and inferred resources as follows:

MAIN ZONE	Indicated Resources			Inferred Resources		
	Tonnes	Gr (g/t Au)	Oz Au	Tonnes	Gr (g/t Au)	Oz Au
Hangingwall	595,900	4.92	94,300	119,000	5.60	21,000
Footwall	267,000	5.11	43,900	182,000	4.20	22,000
Contact	237,800	4.45	34,000	-	-	-
Sediment	66,400	5.07	10,800	243,000	4.20	33,000
Other	-	-	-	112,000	6.00	22,000
Subtotal	1,167,100	4.88	183,000	636,000	4.80	98,000

960 ZONE	Indicated Resources			Inferred Resources		
	Tonnes	Gr (g/t Au)	Oz Au	Tonnes	Gr (g/t Au)	Oz Au
Hangingwall	69,900	4.04	9,100	77,000	5.0	12,000
Footwall	10,200	3.91	1,300	51,000	3.5	6,000
Sediment	11,200	3.51	1,300	32,000	4.7	5,000
Subtotal	91,300	3.99	11,700	160,000	4.5	23,000



The primary focus of Sage Gold is to begin mining high-grade gold mineralization from the company's 100%-owned **Clavos Gold Mine**, which was advanced toward production by St. Andrews Goldfields during the 2004-05 timeframe. Given its own financial limitations, St. Andrews stopped advancing the project right to the point where it had provided access to some of the highest grades in the deposit known to date and after having spent some \$60 million on the project. In 2012, Sage acquired a 60% interest in the Clavos Mine located along the Pipestone Fault, as shown on the map on your left.

In 2016, Sage acquired the remaining 40% for a payment of \$1 million plus a 2% NSR to St. Andrews.

With the markets improving in 2016, Sage began gearing up for production as early as September of this year. The mine is permitted for a 700-TPD operation and Sage has an agreement with Primero to process 600 TPD at that company's Stock Mill located 10 kilometers by a private road from the Clavos Mine. On the basis of a Preliminary Economic Assessment completed in 2014, management is planning to commence production from the highest-grade, lowest-cost areas of the mine and at the same time complete a prefeasibility study.

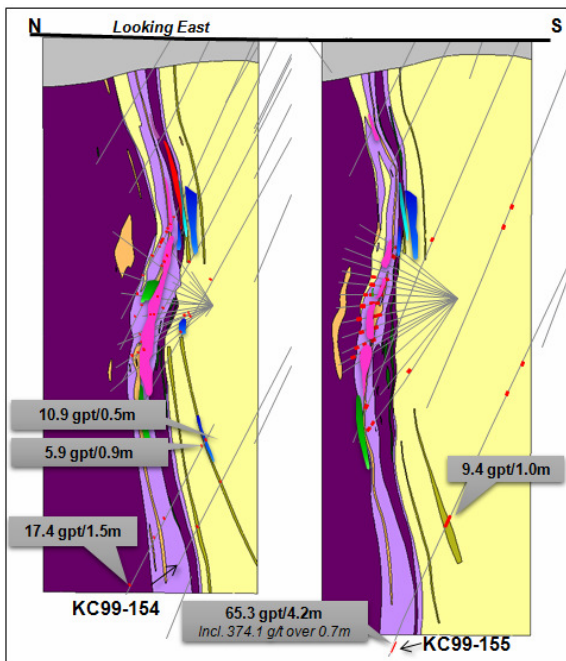
Although the PEA estimated annual production of only 20,000 ounces, what makes the economics of this small-scale startup appear economic is a very low CAPEX, thanks to the \$60 million previously spent by St. Andrews and the availability of the nearby Stock Mill, which has plenty of excess capacity. With approximately \$3 million in cash and \$3.2 million available under a credit line, management believes it will need very little if any additional funding to commence small-scale production by the end of this year and at the same time continue with its prefeasibility work.

The 2013 PEA

Applying an 8% discount, the PEA calculated a pre-tax NPV of \$23.2 million and an after-tax NPV of \$12.6 million. The pre-tax IRR was 71% and 47% after tax. Those are pretty robust numbers made possible by an initial CAPEX of \$14.1 million and a gold price of US\$1,500. Keep in mind that at that time the Canadian dollar and U.S. dollar were at or close to parity, meaning that the study was at approximately C\$1,500. This past week when I checked it out, the Canadian dollar price for gold was \$1,660, or more than 10% higher.

In addition, I believe there could be considerable upside from a higher grade than the average 4.75 g/t factored into the PEA, for the following reasons:

1. In 2003, a lower tonnage calculation by Roscoe Postle Associates back in 2003, they calculated a grade of 7.3 g/t for 753,000 tonnes in the indicated category and 8.9 g/t for 452,000 tonnes in the inferred category. With gold at that time trading at around \$400/oz., the grade would have had to be higher then to be economically viable. That suggests that if need be, more selective high-grade mining might be possible if necessary, though with the price of gold now more than 10% higher than what was factored into the PEA, that wouldn't seem necessary.



2. The Clavos gold mineralization is very coarse so that any statistical analysis is faced with the problem of accurately calculating grade. Based on their observations, management is convinced that a higher cut grade will be established in ore calculations in the future. For example, one intersection shown in the illustration below was cut at 65.3 g/t where the actual grade was 374.1 g/t over 0.7 meters. To what extent these much higher actual grades occur throughout the deposit is a question that will be answered when the company begins shipping 500 TPD to the Primero Mill. That should be very helpful in getting a better understanding of the nugget effect in more accurately calculating grades. A past experience was brought to mind because it reminded me of a discussion I had with Rob McEwen of Goldcorp. Rob told me that the grades at his company-making Red Lake Mine would end up being much higher than what was built into the bankable feasibility study. Sure enough, as memory serves me, it was over 1 oz./ton

higher than predicted. In speaking to management of Sage, they are confident actual grade will be considerably higher than the 4.75 g/t. Time will tell if they are right and to what extent they are right. But obviously if average grade turns out to be higher that will be very good news.

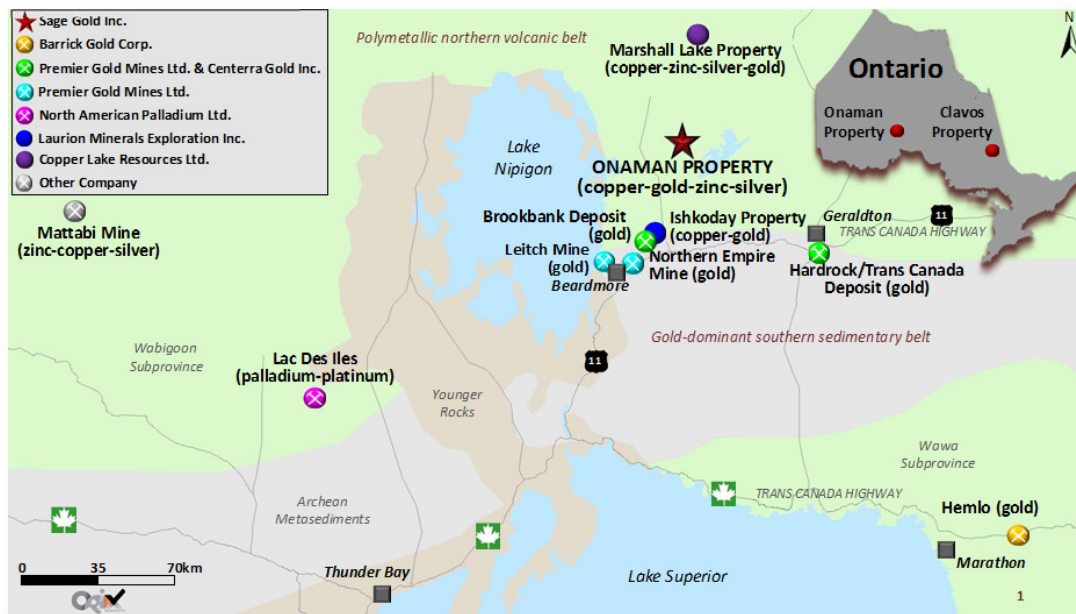
By autumn of this year, I'm counting on a considerably larger gold resource not only because of existing exploration drilling taking place between now and then but also because of a surveying error in the past that effectively reduced the resource. There are currently some 2,000 intersections that are outside the resource blocks, which, when included, will likely increase tonnage.

At present, only upper levels have been dewatered. When dewatering of the 200 level is completed, management can begin lower cost drilling in a fan-like arrangement into the higher-grade targets that occur around the folded areas, as illustrated on your left.

Keep in mind that these kinds of vertical gold deposits that occur along the Porcupine-Destor Fault and the Pipestone Fault where the Clavos Project is located extend to depths, the limits of which have yet to be found. The physical limits of some of these mines are still being tested. But the Sage Deposit lies very near surface. The PEA was based on a relatively small resource. That resource will likely grow considerably larger when an updated 43-101 report is issued, hopefully by the autumn of this year. And with the exploration and statistical knowledge accumulated along the way toward completion of a pre-feasibility study, my expectations are for an improved economic picture. Time will tell if my optimism is warranted.

I should mention that the mine is fully permitted for 700 TPD and that the company has a life-of-mine (seven years) custom milling agreement in place with Primero.

The Onaman VMS Project



This exploration project located a bit north and to the west of the Clavos Project in Ontario is a very promising volcanic massive sulfide (VMS) target with a historical non-43-101 compliant resource known as the **Headway Deposit**. It contains 739,400 tons averaging 3.15% zinc and 31 g/t silver. Recent exploration during the first decade of this century led to the

discovery of the Lynx Deposit with a compliant inferred resource of 1.936 million tonnes averaging 1.44% copper, 39.6 g/t silver, and 0.58 g/t gold. Both deposits are considered to be a portion of a much larger VMS deposit that has yet to be found. Sage has acquired what it considers to be a strategic property and it is planning some surface drilling this year. Management looks at the mix of metals in this deposit as providing some diversification that may be helpful longer-term for shareholders. Clearly these are promising mineral values but the cost of developing something that may be very large could be considerable. It is my understanding that management is planning a modest surface drill program this summer but the main focus of the company at present is on its Clavos Project.

BOARD OF DIRECTORS

Patrick J. Mars, Chairman and Director - Mr. Mars is an independent consultant specializing in mine financing and analysis with over 30 years of experience in the investment industry. Mr. Mars has acted as Chairman, CEO, or Director for several publicly traded mining companies and is currently a Director of Yamana Gold and Aura Minerals.

C. Nigel Lees, President, CEO, and Director - Mr. Lees is a founder and past director of TVX Gold Inc which merged into Kinross Gold., a significant gold producer in North and South America, listed on the TSX and the New York Stock Exchange. Mr. Lees has over 30 years' experience in the Canadian investment industry and is currently a Director of several publicly traded mining companies including Yamana Gold.

Peter Bojtos, Director - Mr. Bojtos is a professional engineer with extensive experience in mineral development and production. Since 1996 following a successful career as CEO of several companies, Mr. Bojtos serves on mining company boards as an independent Director.

Gary Robertson, Director - Mr. Robertson is a Certified Financial Planner. He has worked in the financial industry for the past 20 years, and presently serves on the board of several private companies as well as on the board of four Canadian junior gold mining companies.

Peter Freeman, Director - Mr. Freeman has over 30 years of experience working in Financial Services in the City of London, including regulatory and compliance roles within authorised firms and exchanges, as well as board roles in publicly quoted companies. He is a Senior Regulatory Officer at a UK Recognised Investment Exchange; a Lay member of the Upper Tribunal (Tax & Chancery) and the Probate Committee of the ICAEW. He is also a director of TSX-V quoted Cabo Drilling Inc., of Capital Lease Aviation PLC and of Jenolan Ltd.

MANAGEMENT

William D. Love, VP, Business Development - Mr. Love is a geologist who has been involved in mineral exploration in Canada and was part of the world class Hemlo discovery team. He was also an institutional equity salesperson in London, England, for a Canadian brokerage firm. Mr. Love has spent the last fifteen years as a venture capitalist and a corporate finance specialist in a variety of resource and technology companies. Mr Love holds an HBSc (Geology- Lakehead) and an MBA (Saint Mary's).

David McDonald, Chief Financial Officer - Mr. McDonald brings over 25 years of experience in CFO roles in private and public companies, focusing on the mining industry since 2006. Mr. McDonald is a CPA, CA and holds an Honors Bachelor of Commerce from Laurentian University in Sudbury.

Bob Ritchie, P.ENG, QP - Mr. Ritchie is a Professional Engineer with over 40 years of experience in mine management and development, feasibility studies and mine construction. He has worked with several mining companies including Goldcorp, Noranda Mines and St. Andrew Goldfields. He was responsible for the construction of the Stock (now Brigus Gold) Mill. Mr. Ritchie is a graduate of the Michigan Technological University with a Bachelor of Science in Geology Engineering. He is also a Qualified Person (QP) as defined by NI43-101.

Peter Hubacheck, P.Geo - Mr. Hubacheck is a consulting geologist and President of W. A. Hubacheck Consultants Ltd. He has over 35 years of experience as a project geologist, exploration manager and Qualified Person for the purposes of NI 43-101, with experience in the exploration for gold, silver, base metals, uranium and diamonds in Canada and the USA. He holds a Mining Technologist (1974) diploma from the Haileybury School of Mines and Technology, Haileybury, Ontario and a B.A.Sc. (Geol. Eng. 1977) degree from the South Dakota School of Mines and Technology, Rapid City, South Dakota.

Avrom Howard, Geologist, P.Geo - Mr. Howard obtained a Bachelor of Science degree in Geology from the University of Toronto, and a Master of Science degree in Economic Geology from the University of Colorado (Boulder). Subsequently, he obtained certification as a Gemologist from the Gemmological Association of Great Britain. His professional experience spans a wide variety of mineral commodities, geological settings, countries and continents.

Longer term, not to be forgotten is the company's very promising Onaman VMS Property. But first things first. With \$60 million pumped into exploration and development of the Clavos Property by St. Andrews and with life-of-mine mill availability just 10 kilometers away, the fully permitted Clavos Mine offers near-term production and positive cash flows that should drive these very unrecognized shares to much higher levels. Given that view, I am adding Sage Gold to this letter.

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