

**SEGO RESOURCES INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2011**

**Contact Information**

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## **DESCRIPTION OF BUSINESS AND OVERVIEW OF OPERATIONS AND FINANCIAL CONDITION**

The following management's discussion and analysis, prepared as of December ##, 2011, should be read together with the Company's unaudited financial statements for the quarter ended September 30, 2011 and 2010 and the related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

This report includes certain statements that may be deemed "forward looking statements" within the meaning of applicable securities legislation. All statements, other than statements of historical facts, that address such matters as future exploration, drilling, exploration activities, potential mineralization and resources and events or developments that the Company expects, are forward looking statements and, as such, are subject to risks, uncertainties and other factors of which are beyond the reasonable control of the Company. Such statements are not guarantees of future performance and actual results of developments may differ materially from those expressed in, or implied by, this forward looking information. With respect to forward-looking statements and information contained herein, the Company has made numerous assumptions, including among other things assumptions about the price and future prices of ores and/or mineralization that are being explored for by the Company, anticipated costs and expenditures and the Company's ability to achieve its goals. Although management believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that a forward-looking statement or information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. These factors include, but are not limited to such matters as market prices, exploitation and exploration results, continued availability of capital and financing, and general economic, market or business conditions. Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements or information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking statements or information. Any forward-looking statements are expressly qualified in their entirety by this cautionary statement. The information contained herein is stated as of the current date and subject to change after that date and the Company does to undertake any obligation to update publicly or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com), and on the Company's website at [www.segoresources.com](http://www.segoresources.com)

### **Description of business**

The company was incorporated under the British Columbia Corporations Act on July 11<sup>th</sup>, 2005 under the name Sego Resources Inc. The Company's head office is located as Suite 718, 744 West Hastings Street, Vancouver, British Columbia, V6C 1A5. The Company trades on the TSX Venture Exchange ("TSX-V") under the symbol "SGZ". The company's website address is [www.segoresources.com](http://www.segoresources.com).

The Company is a natural resource company engaged in the business of acquiring, exploring and developing resource properties in Canada. On July 23, 2007, the company acquired the Miner Mountain Copper, Gold, Porphyry Project immediately NNE of Princeton, BC in the prolific Nicola belt that runs from Copper

Mountain (approximately 100 years of production) along the Eastern belt of the Nicola group to Kamloops, BC. The project is approximately 15 km north of the producing Copper Mountain Mine and is within the Traditional Territory of the Upper Similkameen Indian Band with whom the company has signed a comprehensive MOU. The property consists of 15 claims totaling 2056.54 ha. The company acquired the claims in an arms-length transaction and fulfilled the first three terms of the agreement with the remaining term consisting of a further 300,000 shares due upon the preparation of a positive feasibility study on the property. The property is subject to a 3% NSR of which 1.5% can be purchased for \$1,500,000.00.

## **MINERAL PROPERTIES**

### **Title to mineral properties**

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

The Company has entered into agreements to acquire, explore and develop certain mineral properties located in British Columbia, Canada. Several Aboriginal groups are claiming inextinguishable Aboriginal title to the lands and resources in various regions of British Columbia, Canada, which may include one or more of the mineral claims beneficially owned by the Company. The extent to which any successful Aboriginal claim would materially affect the ability of the Company to exploit its mineral properties is not determinable at this time.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

### **Realization of assets**

The investment in and expenditures on mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off, if the properties are abandoned or the claims allowed to lapse.

## **Environmental**

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

## **OVERALL PERFORMANCE**

### **Miner Mountain Property**

On July 19th 2007 the Company optioned to have a 100% interest in the Miner Mountain porphyry copper/gold property, optioned from Messers Hopper and Brandys, and Omega Exploration Services for cash payments and share issuances as follows:

- (a) Cash payment to the optionors of \$165,000 as follows:
  - (i) \$30,000 within five business days from the day the agreement between both parties is approved by the TSX Venture Exchange (the "Exchange") (approved July 2007) (paid);
  - (ii) \$60,000 on or before June 13, 2008 (paid); and
  - (iii) \$75,000 on or before June 13, 2009 (paid);
- (b) Issuance of shares in the capital stock of the Company to the optionors as follows:
  - (i) 50,000 shares within five business days of the approval date by the Exchange (approved July 2007) (issued);
  - (ii) 100,000 shares on or before June 13, 2008 (issued);
  - (iii) 150,000 shares on or before June 13, 2009 (issued); and
  - (iv) a further 300,000 shares upon preparation of a positive feasibility study on the property.

As part of the agreement, the optionors retain a 3% net smelter return ("NSR") royalty on the property. The Company has the right to buy back one-half of the NSR for the sum of \$1,500,000 at any time.

The Property is immediately NNE of Princeton, BC. The Property at that time consisted of 38 claims totalling 1756.65 hectares. As of January 17th 2008 these claims were converted to 12 Map staked claims totalling 1,720.94 hectares.

On June 16, 2011, the Company acquired a 100% interest in 3 mineral claims located in the Similkameen Mining Division of British Columbia for a cash payment of \$5,000 (paid) and issuance of 50,000 shares from Christopher Delorme. There is no NSR on these claims. The shares were valued at \$11,000 which is equal to the market price at the date of issuance.

### **2007**

In 2007 the Company acquired the Property and began preliminary mapping and sampling of exposed outcrops. This was completed in fall 2007 and plans for the 2008 exploration season were made.

### **2008**

In April approximately 99 line kilometres of soil sampling was done by SabreX Contracting Ltd. 1973 samples of the B Horizon were collected at 50 m intervals along east-west lines spaced 100 m apart and covering most of the Property from a northerly line at UTM 5486700 to a southerly line at UTM 5482800. A north-south baseline for the grid was established at UTM 684300 east. Samples were sent to Acme Analytical Laboratories Ltd. for analysis. Soil anomalies coincide well with areas of known mineralization, particularly the Granby, South and Regal Zones.

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As soon as ground conditions allowed, an excavator trenching program was started. All old bulldozer trenches were reopened, deepened and, where practicable, extended. In total 5,306 metres of trenches were excavated, mapped and 2,170 samples taken. The location of each trench and sample was determined by GPS. Trench mapping and sample results were entered in the geological database. Because all trenches are in grazing land and when open pose a danger to livestock, mapping and sampling was done as soon as possible after excavation and the trenches closed and reclaimed as soon as practicable. Excavator trenching proved to be a very cost effective method of exploration in the largely drift covered, open range land of the Property. Zones of known mineralization determined by previous operators were confirmed, in some cases extended, opened and re-sampled.

In August and September ten NQ drill holes totaling 1039.89 metres were completed

DDH No.	Easting	Northing	Elevation	Depth(m)	Angle	Azimuth	Year	Zone	
DDH-MM-08-01	5484275	5484275	683065	757	77.11	-45	172	2008	Regal*
DDH-MM-08-02	5484231	5484231	683059	747	50.29	66.5	180	2008	Regal*
DDH-MM-08-03	5484168	5484168	683031	748	38.1	-60	0	2008	Regal*
DDH-MM-08-04	5484446	5484446	684011	943	88.7	-45	0	2008	Granby
DDH-MM-08-05	5484443	5484443	684011	941	132.59	-90	N/A	2008	Granby
DDH-MM-08-06	5484445	5484445	683970	939	100.3	-60	0	2008	Granby
DDH-MM-08-07	5484500	5484500	683980	947	184.5	-90	N/A	2008	Granby
DDH-MM-08-08	5484500	5484500	683980	947	153.9	-75	0	2008	Granby
DDH-MM-08-09	5484501	5484501	684010	944	78.5	-70	0	2008	Granby
DDH-MM-08-10	5484361	5484361	683969	951	135.9	-75	180	2008	Granby

The three holes on the Regal Zone all had very poor recovery being in either strongly oxidized landslide rubble or till. Hole 08-03 bottomed in carbonaceous mudstone of the Princeton Group. These three holes confirmed the result of the 1963 work by Climax Copper Co. Ltd. which indicated that the oxide layer at Regal is landslide material that rests either on till or directly on tertiary sediments.

The other seven holes were all drilled on the Granby Zone. They intersected variably altered and mineralized microdiorite and Nicola volcanic rocks. Two holes, MM-08-04 and MM-08-09, had to be abandoned prematurely due to drilling difficulties, both bottoming in good grade mineralization. Significant intersections are as follows:

DDH-MM-08-04

From 24.46 to 88.7m, 0.46% Cu, 0.14 G/T Au and 2.58 G/T Ag Including 18.07m of 0.65% Cu, 0.26 G/t Au, 3.33 G/T Ag and 15.25m of 0.63% Cu, 0.18 G/T Au, 3.19 G/T Ag Final two intervals ( 5m) 1.22% copper and 0.5% copper

DDH-MM-08-05

From 16.46 to 34.14 0.12% Cu, 0.155 G/T Au, 0.58 G/T Ag

DDH-MM-08-09

From 26.17 to 78.64m 0.41% Cu, 0.12 G/T Au and 2.11 G/T Ag Final two intervals (4.42m) 1.39% copper and 0.38% copper

The other holes drilled to the south and west did not encounter significant mineralization.

Field mapping, sampling and core logging was done by the Company's geologists with consulting services provided by Chris Sampson, P.Eng.

## **2009**

A Titan 24 IP survey was performed by Quantec Geoscience between April 25th 2009 to May 14th 2009. The survey grid includes 13 DC/IP parallel lines along a total of 31.2 km (38.7 km with extension) (Figure 8). Each line was surveyed with dipole spacing of 100 m and line separation of 200 m. Survey line length was approximately 2.4 km plus additional current injections up to 500 m beyond the end of the line. The data were inverted using the 2D inversion algorithms to produce maps of resistivity and chargeability of the subsurface.

The resistivity distribution over the survey area can be characterized as a resistive low associated with the Princeton Group and a resistive high associated with the Nicola Group. The resistivity of the Princeton Group in the northwest part of the survey grid is generally less than 50 $\Omega$ m. The resistivity of the Nicola Group, which covers most of the survey area, is on the order of several hundreds of  $\Omega$ m. These results are in agreement with the known geology of the area

The chargeability maps show a relatively heterogeneous distribution of the anomalies over the survey area. The chargeability varies between 0 mrad to 20 mrad with a background chargeability of ~6 mrad. Chargeable anomalies, as high as 20 mrad, are mainly located in the western and eastern parts of the survey grid. A moderate elongated chargeable anomaly is resolved at a depth of ~400 m. The elongated anomaly has a SW-NE orientation and traverses the grid in the south part of the survey area.

Mapping was carried out in July and August 2009 to look for zones of alteration and mineralization associated with the geophysical anomalies outlined by the Titan 24 survey, and also to locate new zones outside of the areas of known mineralization. The mapping was concentrated to the Southeast and Northeast of the claim blocks away from the known areas of mineralization.

The results were successful in locating three new zones of alteration and mineralization in the Southeast co-incident with the MT 1 anomaly and to the Northeast where previous trenching had located scattered lead-zinc-copper mineralization. The new zones include the Schissler and Miner Zones in the South East of the property and the North Zone in the centre north of the Property.

In September and October of 2009, trenching was focused on the South Zone to test the potential for precious metal mineralization indicated by the 2008 exploration and in the Schissler Zone to test near surface chargeability anomalies

Details of this trenching program are given in B.C. Assessment Report 31730

Three HQ diamond drill holes totalling 496.45 metres were completed in 2009, two in the South Zone and one in the Granby Zone.

Thin section work by K. Dunne, P.Geo was done in October 2009 on trench and drill core samples from the South and Granby Zones respectively.

## 2010

A geomorphological study of the Property was done by Dr. Selina Tribe P.Geo of Carta Explorations on March 17th 2010. This was an overview of the surficial geology of the Property looking at the immediate post-glacial history. The emphasis was on analyzing the mass wastage events to determine possible source areas of the high grade Regal slide block. This study was successful in delineating the history and located several potential slide routes which Sego began testing in 2010 by trenching the slopes above the Regal Zone, and in the Southwest corner of the Granby Zone

Of these trenches, trenches 95, 96 and 97 were also excavated to test for surface expression of the mineralization located by diamond drill hole MM-10-19. Trench 96 successfully located excellent grade mineralization above the drill hole (see press release dated Dec 15th 2010), while trenches 97 and 98 located a zone leached gossanous rock that could not be penetrated by the excavator and extended at least 150 metres to the east of trench 96.

The Company drilled 10 HQ holes in December 2009, and March-April 2010 to test targets identified by the trenching programs. Eight of these holes were drilled in targets in the Granby Zone, and two were drilled on the South Zone.

DDH No.	Easting	Northing	Elevation	Depth(m)	Angle	Azimuth	Year	Zone
DDH-MM-09-11	5484501	684010	944	241.46	-90	180	2009	Granby
DDH-MM-09-12	5483194	682886	791	103.2	-90	180	2009	South
DDH-MM-09-13	5483194	682886	791	151.79	-73	65	2009	South
DDH-MM-10-14	5484551	684010	941	200.25	-90	N/A	2010	Granby
DDH-MM-10-15	5484600	684009	937	125.72	-90	N/A	2010	Granby
DDH-MM-10-16	5484500	684060	945	133.2	-90	N/A	2010	Granby
DDH-MM-10-17	5484500	684110	947	108.81	-90	N/A	2010	Granby
DDH-MM-10-18	5484454	684061	948	90.53	-90	N/A	2011	Granby
DDH-MM-10-19	5484230	683895	956	127.1	-50	0	2011	Granby
DDH-MM-10-20	5484500	684060	945	215.49	-50	0	2011	Granby

The two holes in the South Zone MM-09-12 and MM-09-13 (Figure 10) did not intercept appreciable mineralization except for one spot of high of 4 ppm gold over 3 metres which could not be reproduced.

Highlights of the drilling in the Granby Zone include.

### DDH-MM-09-11

From 15.85m to 78.64 0.355% Cu, 0.165 g/t Au 2.52 g/t Ag, m including 10.76 metres of 0.48% Cu, 0.24 g/t Au and 3.38 g/t Ag from 35.97m to 46.73 m, and 27.44 metres of 0.49% Cu, 0.26 g/t Au and 3.38 g/t Ag from 51.2 m – 78.64 m including 6.1 m of 0.91% Cu, 0.54 g/t Au from 72.54 m – 78.64m

A second zone from 137.55m to 172.64m (35.09m) was mineralized with up to 2688 ppm copper.

### DDH-MM-10-16

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From 12.19m to 108.81m, 0.31% Cu 0.08 g/t Au 1.76 g/t Ag including from 23.47 to 44.81 - 21.34 m of 0.33% Cu, 0.1 g/t Au 2.73 g/t and from 69.19 to 108.81 - 39.62m of 0.5% Cu 0.1 g/t Au 2.27 g/t Ag which includes from 72.24 to 75.29 -3.05m- 1.45% Cu 0.15 g/t Au 5.7 g/t Ag

DDH-MM-10-18

From 13.72 to 32.61 m 0.24% Cu 0.26 g/t Au 1.23 g/t Ag

DDH-MM-10-19

From 66.69 to 127.1 m of 0.27% Cu 0.16 g/t Au 0.72 g/t Ag including from 87.48m to 114.91m - 27.43m of 0.42% Cu 0.3 g/t Au 1.45 g/t Ag which includes 102.72 – 105.77 -3.05m- 1.67% Cu 1.16 g/t Au 3.9 g/t Ag

DDH-MM-10-20

From 26.52 to 93.57 of 0.13% Cu 0.16 g/t Au 0.68 g/t Ag including from 26.52 to 50.90m - 24.38 m of 0.16% Cu 0.33 g/t Au 0.96 g/t Ag which includes 32.61 to 35.66 -3.05m- 0.15% Cu 0.89 g/t Au 1.3 g/t Ag

With the exception of hole MM-10-19 all the 2009 and 2010 Granby Zone drilling was collared in the Northern Granby to test extensions of the mineralization encountered in the 2008 drilling.

MM-10-14, did not intercept appreciable mineralization even though it was in close proximity to MM-09-11 which had significant mineralization. To the north of MM-10-14, MM-10-15 was more mineralized (up to 1000 ppm Cu and 0.1 G/T Au) than MM-10-14 but still did not contain significant widths or grades. Likewise MM-10-17 encountered heavily altered rock which was enriched with copper-gold but no significant grades were found.

All holes intercepted substantial alteration hosted in either Nicola Group volcanic or intrusive rocks.

Of note, is a large area of gypsum – pyrite – albite ± clay brecciation/veining which occurs at depth in holes 11, 14, 16 and in holes 8 and 10 of the 2008 drilling, and in the extant 2000 and 1997 core. This alteration assemblage appears to mark the lower boundary, or outer boundary of better metal grades. It dips to the northwest and comes to surface in the south and east of the Granby zone.

The dominant alteration is propylitic (chlorite-epidote ± actinolite ± hematite ± albite± pyrite), but large areas of albitization (Na-feldspar), sericite/illite ± rutile, carbonate and potassic alteration (K-Feldspar ± Magnetite) were encountered as well.

Sulphide minerals are principally Bornite and Chalcopyrite with rims of Chalcocite and Covellite. Pyrite is ubiquitous outside the copper-gold zones, but subordinate to Bornite and Chalcopyrite within.

Drill hole MM-10-19, was collared approximately 300 metres to the southwest of the above mentioned zone of mineralization to test at depth the mineralization previously encountered in Trench 95, and to determine the extent of a unit of barren maroon volcanics found at the southern end of the trench. This hole was successful in determining the extent at depth of the barren volcanics and their contact relationship, a fault, with mineralized microdiorite to the north. Most significantly this hole continued in microdiorite hosted mineralization to its bottom at 127.1 metres and thus was the reason for the excavation of trenches 96, 97, and 98 and also phase I of the percussion drill program described below. The hole was stopped at 127.1 metres due to drilling difficulties.

A second petrographic study was completed by K. Dunne, P. Geo on May 7, 2010. In total the 2009 and 2010 studies included 28 samples taken from drill core and trench material. The work confirmed the presence of multiple intrusives and intrusive phases from microdiorite and quartz monzonite to syenite, and elucidated the variety of volcanic rocks from crystal tuffs to amygdaloidal basalts. In many cases the work discovered previously unsuspected phases of alteration, and defined multiple stages of veining.

## 2011

Exploration work completed to date in 2011 consists of 34 percussion drill holes totalling 2002 metres. This is phase 1 of a program of such drilling designed to test a broad east-west zone across the southern part of the Granby Zone, that is underlain by a chargeability anomaly, and to penetrate underneath the leach cap encountered in trenches 97 and 98 in 2010.

The assay results show that 19 of the 34 holes intersected significant widths of copper gold mineralization (greater than 0.1% Cu and 0.1 G/T Au), with several intersecting exceptional grades of copper mineralization including PDH 9 which intersected 4m of 3.999% Cu, 6.925 G/T Au and 23.45 G/T Ag. Also of note is that many of the holes bottomed in copper mineralization, leaving wide areas open at depth.

### Drilling

Percussion drilling highlights are as follows:

PDH 1 From 24 to 48 m 0.156% Cu.

PDH 2 From 60 to 70 m 0.355% Cu, 0.446 g/t Au, 1.2 G/T Ag.

PDH 6 From 16 to 20 m 0.128% Cu, 0.179 g/t Au (and Isolated hits between 10 to 30m)

PDH 8 From 38 to 56 m 0.186% Cu, 0.138 G/T Au, and from 68 to 72 m 0.226 g/t Au.

PDH 9 From 12 to 64 m 1.264% Cu 1.061 G/T Au , 3.79 G/T Ag, Including 12 to 44 m 1.845% Cu, 1.628 G/T Au 5.569 G/T Ag including from 16 to 24 m 3.681% Cu 5.256 G/T Au and 15.975 G/T Ag which includes from 18 to 22 m 3.999% Cu 6.925 G/T Au and 23.450 G/T Ag.

PDH 12 Isolated 0.1% Copper from 70 to 82 m.

PDH 13 from 36 to 38 m from 0.139% Cu 0.083 G/T Au, 64 to 68 m 0.272% Cu 0.237 G/T Au 0.50 G/T Ag.

PDH 14 From 20 to 70m 0.126% Cu, 0.087 G/T Au.

PDH 15 From 24 to 50m 0.161% Cu 0.4 G/T Au, 0.43 G/T Ag including from 32 to 38 m 0.191% Cu 1.053 G/t Au.

PDH 16 From 14 to 20 m 0.237% Cu 0.16 G/T Au and from 28 to 40 m 0.141% Cu, 0.096 G/T Au.

PDH 17 From 32 to 44 m 0.135% Cu, 0.094 G/T Au (isolated Cu and Au from 28 to 48 m)

PDH 18 From 34 to 38 0.216% Cu, 0.030 G/T Au, and from 40 to 56 m 0.186% Cu 0.046 G/T Au and from 68 to 74m 0.112%Cu and 0.021 G/t Au.

PDH 19 From 44 to 46 0.121% Cu, 0.029 G/T Au.

PDH 20 From 10 to 22 m 0.197%, Cu 0.257 G/T Au.

PDH 21 From 16 to 28 m 0.8 % Cu, 0.647 G/T Au, 1.367 G/T Ag including 18 to 24 m 1.342% Cu, 1.064 G/T Au and 2.067 G/T Ag and from 44 to 50 m 0.295% Cu 0.173 G/T Au.

PDH 22 From 12 to 22 m 0.142% Cu 0.071 G/T Au and from 32 to 42m 0.145% Cu 0.122 G/T Au.

PDH 26 From 38 to 42 metres 0.14% Copper, 0.056 grams/tonne Gold.

PDH 28 From 14 to 28 metres 0.15% Copper, 0.261 grams/tonne Gold. 40 – 44 metres 0.16% Copper, 0.769 grams/tonne Gold.

PDH 31 From 32 to 42 metres 0.21% Copper, 0.121 grams/tonne Gold.

PDH 34 From 24 to 48 metres 0.22% Copper, 0.144 grams/tonne Gold, includes 30 – 36 metres 0.38% Copper, 0.234 grams/tonne Gold, and, 30 – 32 metres 0.52% Copper, 0.238 grams/tonne Gold.

## **PERFORMANCE SUMMARY**

On July 22, 2011, the Company received a Multi-Year Area Based Permit from the Ministry of Energy and Mines that is valid for 5 years. The permit is for percussion drilling, diamond drilling and trenching on the Sego's Miner Mountain Project near Princeton, B.C.

The Company started percussion drilling on July 25, 2011 with an initial percussion drill program as recommended by consultant Vic Preto, Ph.D., P.Eng. in his report of June 17, 2011. This report is available on Sego's website.

On July 26, 2011, the Company completed a brokered private placement and issued 4,000,000 non-flow through units at a price of \$0.25 per unit for gross proceeds of \$1,000,000. Each unit consists of one non-flow-through common share and one transferable share purchase warrant. Each warrant is exercisable into one non-flow-through common share to July 26, 2016 at an exercise price of \$0.33 per share during the first two years, \$0.40 per share during the third and fourth years, and \$0.50 per share for the fifth year.

In conjunction with the private placement the Company has paid the Agent a cash commission of \$100,000 and issued 200,000 units at a price of \$0.25 for a total cost of \$50,000. Each unit has the same terms and conditions of the units issued in the private placement. The Company has also issued to the Agent 600,000 non-transferable options (the "Agent's Options"). Each Agent's Option will be exercisable into one Agent's unit (having the same terms as the units) at the price of \$0.25 per Agent's unit to July 26, 2016.

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**SUMMARY OF QUARTERLY RESULTS**

	Q1	Q4*	Q3*	Q2*		Q1	Q4*	Q3*	Q2*
Quarter Ended	Sept 30 2011	June 30 2011	Mar 31 2011	Dec 31 2010		Sept 30 2010	June 30 2010	Mar 31 2010	Dec 31 2009
Total Revenue	Nil	843	5,054	Nil		65	219	Nil	Nil
Net Income (loss)	-135,155	-\$286,205	-\$121,720	- \$119,954		-53,593	-\$631,875	-\$102,980	-\$82,205
Basic and diluted loss per share	-0.03	-0.01	0	-0.01		-0.01	-0.03	0	-0.01

**\* Q2, Q3, & Q4 quarters from 2009/2010 as well as Q2, Q3, & Q4 quarters from 2010/2011 are prepared in accordance with Canadian Generally Accepted Accounting Principles, prior to the adoption of IFRS. As a result, Q2, Q3, & Q4 quarters from 2009/2010 as well as Q2, Q3, & Q4 quarters from 2010/2011 may not be comparable.**

The Company has a net loss for the three month period ended September 30, 2011 of \$135,155 (2010 - \$53,593). The net loss increased by \$81,562 compared to the same period in 2010.

Investor relations, advertising and promotion activity \$30,291 (2010 - \$13,097), increase of \$17,194, was due to an increase in services provided to expand of the Company investor base.

Share based compensation \$34,773 (2010 - \$0), increase of \$34,773 was due to the timing of the issuances in the period.

Office expenses \$28,012 (2010 - \$17,076), increase of \$10,963 was due to increase in rent as well as office supplies.

Transfer Agent expenses \$1,071 (2010 - \$390), increase of \$681 was due to an increase in share transactions

**COMMITMENTS**

The Company has entered into a lease agreement on June 20 2011 with Kancho Office Products. The agreement covers the use of an in house photo copier (\$288 per month for a 24 month duration) as well as a service agreement which covers; repairs, preventative maintenance, parts & drum replacement at a cost of \$700. The service agreement is for 50,000 copies or a one year term whichever milestone is achieved first.

The Company has, since 2006 entered into a year to year renewable agreement with J Paul Stevenson who acts as the CEO and director of SEGO Resources. The agreement is to provide management services (\$3,000 per month), bookkeeping and secretarial (\$6,038 per month), investor relations (\$10,981 per month), as well as GIS data management (\$6,038 per month), rental of office space (\$5,555 per month), and phone services (\$240 per month), respectively.

The Company has a Memorandum of Understanding (MOU) with the Upper Similkameen Indian Band in whose territory the Miner Mountain project is located. The MOU objectives are as follows:

- 1) To establish a clear, certain, and timely process for communication, information sharing, meaningful consultation and any agreed upon accommodation measures with respect to USIB aboriginal interests.
- 2) To define commitments, roles and approaches for consultation, accommodation and information sharing with regard to the operational activities of SRI.
- 3) To develop and foster a positive cooperative working relationship between the Parties through jointly implementing the process described in this Agreement.
- 4) To develop opportunities for employment, contracting, and related business development for the USIB.
- 5) To assist the USIB to develop its capacity to effectively participate in and benefit from any development activities associated with SRI mineral tenures in the Band's Territory.
- 6) To develop workable strategies, through discussions with the Ministry of Energy, Mines and Petroleum Resources (MEMPR) and the Ministry of Aboriginal Relations and Reconciliation, to address the USIB's interests in revenue-sharing and mineral sector economic development, including exploration of options for developing an equity position within the company, in the event that SRI's activities result in the generation of revenues from mineral development.
- 7) To provide information to SRI to assist in developing awareness of USIB interests, capacity and operations to assist in meeting the objectives described in this section.
- 8) To continuously revisit these items with the intention of ensuring that commitments are satisfactorily implemented and additional items are identified that meet the intent of this Agreement or may add to its effectiveness.

The term of this agreement commenced on September 27, 2007 and will end at such time as Sego Resources Inc. or its successor permanently ceases operations in the Territory, or otherwise through mutual agreement. SEGO Resources Inc. and the Upper Similkameen Indian Band will meet annually to review and evaluate progress on objectives outlined in the Agreement and will amend the Agreement if warranted.

The Company has entered into an ongoing rental agreement with 550 Similkameen in July 2008 to rent 1450sq feet of warehouse space for storage of drill core and other geological samples. The agreement is month to month at a cost of \$840.00 per month.

The Company has entered into a consultant agreement with Rescan Environmental Services on April 27, 2011 to provide an environmental baseline study. It is estimated that the services will take wrap up in December of 2011. The estimated costs of the consulting services will be \$82,000 (\$41,000 paid as of September 30, 2011). The primary services to be provided are as follows:

- 1) Undertake a review of existing, published environmental baseline or study information for the area encompassing the Miner Mountain Property. Summarize the results in an annotated bibliography.

- 2) Initiate a program of monthly surface water quality sampling of major drainages from the Miner Mountain Property. A total of no more than 5 sites, (4 downstream and 1 upstream reference sites) would be proposed at this stage. Following site selection by Rescan, water sampling will be performed by an Upper Similkameen Indian Band field technician under Rescan direction.
- 3) Conduct a site visit to undertake a reconnaissance assessment of potential habitat for wildlife species at risk.
- 4) Assemble field reports of studies undertaken and make available results to SEGO Resources Inc. and the Upper Similkameen Indian Band.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company's mineral exploration activities have been funded to date primarily through the issuance of common shares, and the Company expects that it will continue to be able to utilize this source of financing until it develops cash flow from its mining operations. Other than as discussed herein, the Company is not aware of any trends, demands, commitments, events or uncertainties that may result in its liquidity either materially increasing or decreasing at present or in the foreseeable future.

Material increases or decreases in the Company's liquidity will be substantially determined by the success or failure of its exploration programs on its properties, as well as its continued ability to raise capital.

As at September 30, 2011, the Company had working capital of \$938,497 compared to working capital of \$433,133 as at September 30, 2010. As at September 30, 2011, the Company had cash and equivalents of \$841,105 compared to cash and equivalents of \$86,684 as at September 30, 2010.

Net cash used in operating activities for the three month period ended September 30, 2011 was \$135,155 (2010 - \$ 53,593) consisting primarily of the operating loss for the period and the change in non-cash items.

On July 26, 2011, the Company completed a brokered private placement and issued 4,000,000 non-flow through units at a price of \$0.25 per unit for gross proceeds of \$1,000,000. Each unit consists of one non-flow-through common share and one transferable share purchase warrant. Each warrant is exercisable into one non-flow-through common share to July 26, 2016 at an exercise price of \$0.33 per share during the first two years, \$0.40 per share during the third and fourth years, and \$0.50 per share for the fifth year.

In conjunction with the private placement the Company has spent \$107,980 in cash for legal fees and additional agent fees, and issued 200,000 units at a price of \$0.25 for a total cost of \$50,000. Each unit has the same terms and conditions of the units issued in the private placement. The Company has also issued to the Agent 600,000 non-transferable options (the "Agent's Options"). Each Agent's Option will be exercisable into one Agent's unit (having the same terms as the units) at the price of \$0.25 per Agent's unit to July 26, 2016.

The Company is in the exploration stage. The investment in and expenditures on the mineral properties comprise all of the Company's assets. The recoverability of amounts shown for its mineral property interest and related deferred costs and the Company's ability to continue as a going concern is dependent upon the discovery of economically recoverable reserves, and the ability of the Company to obtain the financing

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necessary to complete development and achieve profitable operations in the future. The outcome of these matters cannot be predicted at this time.

Mineral exploration and development is capital extensive, and in order to maintain its interest the Company will be required to raise new equity capital in the future. There is no assurance that the Company will be successful in raising additional new equity capital.

**OFF BALANCE SHEET ARRANGEMENTS**

The Company has not entered into any off-balance sheet transactions

**PROPOSED TRANSACTIONS**

The Company has not entered into any proposed transactions.

**RELATED PARTY TRANSACTIONS**

During the three month period ended September 30, 2011, the Company was previously involved in the following transactions with companies controlled by directors or officers or companies having common directors:

<b>Name of Company or Director</b>	<b>Directors/Officers</b>	<b>September 30, 2011</b>	<b>September 30, 2011</b>
<b>Expenses:</b>			
J Paul Stevenson & Associates (Management Fees)	J Paul Stevenson – CEO & Director - SEGO Resources	\$9,000	\$9,000
J Paul Stevenson & Associates (Management Fees)	J Paul Stevenson – CEO & Director - SEGO Resources	\$16,655	\$8,520
J Paul Stevenson & Associates (Consulting Fees)	J Paul Stevenson – CEO & Director - SEGO Resources	\$29,500	0
J Paul Stevenson & Associates (Field Work Fees)	J Paul Stevenson – CEO & Director - SEGO Resources	\$13,600	0
J Paul Stevenson & Associates (Office & Administrative Fees)	J Paul Stevenson – CEO & Director - SEGO Resources	\$17,476	\$16,200
J Paul Stevenson & Associates (Investor Relation Fees)	J Paul Stevenson – CEO & Director - SEGO Resources	\$26,962	0
J Paul Stevenson & Associates (GIS Data Management)	J Paul Stevenson – CEO & Director - SEGO Resources	\$18,144	\$16,200
Sampson Engineering (Consulting/Field Work	Christopher J Sampson – President & Director – SEGO Resources	0	\$900

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Fees)			
J Allan Hilton (Consulting/Field Work Fees)	J Allan Hilton – Director – SEGO Resources	\$3,600	\$500

As at September 2011 there were no amounts owing to related parties in accounts payable or accrued liabilities.

### CHANGES IN ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING POLICIES

This is the Company's the Company's first interim financial statements for the period covered by the first annual financial statements prepared in accordance with IFRS. An explanation of how the transition from previous GAAP to IFRS has affected the Company's financial position and comprehensive loss is set out in this note.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the period ended September 30, 2011, the comparative information presented in these financial statements for the period ended September 30, 2010 and in the preparation of an opening IFRS balance sheet at July 1, 2010 (the Company's date of transition).

#### *IFRS 1, "First-time Adoption of International Financial Reporting Standards" (IFRS 1)*

IFRS 1 generally requires that first-time adopters retrospectively apply all effective IFRS standards and interpretations in effect as at the reporting date. IFRS 1 also provides for certain optional exemptions and certain mandatory exceptions to this general principle.

The Company has elected under IFRS 1 to not apply IFRS 2 to options that were granted on or before November 7, 2002 or to options that were granted subsequent to November 7, 2002 but vested before the date of transition to IFRS.

#### *Adjustments on transition to IFRS*

IFRS has many similarities to Canadian GAAP as it is based on a similar conceptual framework. However, there are important differences with regards to recognition, measurement and disclosure. While adoption of IFRS did not change Sego's actual cash flows, it resulted in changes to the Company's balance sheet, statement of comprehensive loss and statement of shareholders' equity as set out below:

#### *Share-based payments*

On transition to IFRS the Company changed its accounting policy for the treatment of share-based payments whereby amounts recorded in share-based payment reserves for unexercised share options, warrants, Agent options and Agent warrants are transferred to deficit upon their expiration. Previously, the Company's Canadian GAAP policy was to leave such amounts in share-based payment reserves.

- (i) As of July 1, 2010, \$211,435 of share-based payment reserve related to the fair value of share options and Agent warrants that were no longer outstanding as of that

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date and, therefore, the \$211,435 related to the expired options and Agent warrants, has been transferred from share-based payment reserve to deficit.

- (ii) Between quarters two and four of the year ended June 30, 2011, 500,000 share options and 3,555,352 warrants expired and the carrying balances of \$34,250 and \$144,703 respectively were transferred from share-based payment reserve to deficit. The cumulative amount, including July 1, 2010, transferred to deficit is \$390,388.

There were no other differences between Canadian GAAP and IFRS that affected the Company upon transition.

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***Reconciliation of Assets, Liabilities and Equity***

The table below provides a summary of the adjustments to the Company's balance sheets at June 30, 2011, September 30, 2010 and July 1, 2010:

	<b>June 30, 2011</b>	<b>September 30, 2010</b>	<b>July 1, 2010</b>
<b>Total Assets per Canadian GAAP</b>	\$ 2,917,782	\$ 2,270,692	\$ 2,161,349
Adjustments required on adoption of	0	0	0
<b>Total Assets per IFRS</b>	\$ 2,917,782	\$ 2,270,692	\$ 2,161,349
<b>Total Liabilities under Canadian GAAP</b>	\$ 113,797	\$ 173,914	\$ 142,833
Adjustments required on adoption of	0	0	0
<b>Total Liabilities under IFRS</b>	113,797	173,914	142,833
<b>Shareholders' Equity</b>			
<b>Total Equity under Canadian GAAP</b>	2,803,985	2,097,048	2,018,516
Adjustments required on adoption of			
Contributed surplus	(390,388)	0	(211,435)
Deficit	390,388	0	211,435
<b>Total Equity under IFRS</b>	2,803,985	2,097,048	2,018,516
<b>Total Liabilities and Equity under IFRS</b>	\$ 2,917,782	\$ 2,270,962	\$ 2,161,349

***Reconciliation of Net Income and Comprehensive Income***

The table below provides a summary of the adjustments to net income for the year ended June 30, 2011 and for the three months ended September 30, 2010:

	<b>June 30, 2010</b>	<b>September 30, 2010</b>
<b>Net Loss and Comprehensive Loss per Canadian GAAP</b>	\$ (451,400)	\$ (53,594)
Adjustments required on adoption of IFRS	0	0
<b>Net Loss and Comprehensive Loss per IFRS</b>	\$ (451,400)	\$ (53,594)

***Reconciliation of Cash Flow***

The table below provides a summary of the adjustments to cash flow for the year ended December 31, 2010 and for the three months ended March 31, 2010:

	<b>June 30, 2010</b>	<b>September 30, 2010</b>
<b>Operating Activities per Canadian GAAP</b>	\$ (398,516)	\$ (19,726)
Adjustments required on adoption of IFRS	0	0
<b>Operating Activities per IFRS</b>	\$ (398,516)	\$ (19,726)
<b>Investing Activities per Canadian GAAP</b>	\$ (381,834)	\$ (26,954)
Adjustments required on adoption of IFRS	0	0
<b>Investing Activities per IFRS</b>	\$ (381,834)	\$ (26,954)
<b>Financing Activities per Canadian GAAP</b>	\$ 1,138,605	\$ 132,125
Adjustments required on adoption of IFRS	0	0
<b>Financing Activities per IFRS</b>	\$ 1,138,605	\$ 132,125

**FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

Financial instruments include cash, reclamation deposit, due to related parties, and accounts payable. Cash is classified as held-for-trading; reclamation deposit is classified as held-to-maturity; due to related parties and accounts payable are classified as other financial liabilities.

**Fair value**

The carrying values of cash, reclamation deposit, and accounts payable and accrued liabilities approximate their fair values due to the short term to maturity of these financial instruments. The fair value of due to related parties is not presented as there is no market for such instruments.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

**Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk with respect to its cash and

reclamation deposit; however, this is minimized as cash and reclamation deposit are placed with a major financial institution with strong investment-grade ratings by a primary investment agency.

### **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due and manages its liquidity risk by forecasting cash requirements for operations and anticipated investing and financing activities. As at September 30, 2011, the Company had cash and equivalents of \$841,105 compared to cash and equivalents of \$395,495 as at June 30, 2010. This amount is insufficient to meet the Company's general administrative, property and exploration requirements for the coming year. Therefore the Company will be required to raise additional capital in order to fund its operations in 2012. At September 30, 2011, the Company had accounts payable and accrued liabilities of \$106,224 (2010 - \$113,797), due within 30 days, and amounts due to related parties of \$0 (2010 - \$16,077), due on demand.

### **Market risk**

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

### **Interest rate risk**

Interest rate risk is the risk that future cash flows or the fair value of a financial instrument will fluctuate as a result of changes in market interest rates. The Company's cash consists of cash held in bank accounts and a reclamation deposit that earn interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on the estimated cash flow or fair value as of September 30, 2011.

### **Foreign currency risk**

The Company is not exposed to significant foreign currency risk.

### **Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or currency risk. The Company is not exposed to significant other price risk on its financial instruments.

## **OUTSTANDING SHARE DATA**

The Company's authorized share capital consists of 100,000,000 Class A common shares without par value. As at September 30, 2011, the Company had 53,961,313 common shares issued. The Company had 7,791,000 Options outstanding (5,443,500 exercisable), 22,078,375 warrants outstanding, 769,900 Agents Options outstanding.

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Subsequent to September 30, 2011, warrants totalling 1,654,875, made up of 207,000 expiring on April 27, 2014; 185,000 expiring on May 29, 2014; 80,000 expiring on June 26, 2014 and 1,182,875 expiring on December 10, 2014, were exercised for a total of \$189,545.

### **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Significant estimates made in the preparation of these financial statements include mineral properties assessments for impairment, accrued liabilities, assumptions for the determination of fair value of share-based compensation, and determination of valuation allowance for deferred tax assets. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

### **DIRECTORS AND OFFICERS**

J Paul Stevenson – CEO and Director  
J Allan Hilton – Director  
Chris J Sampson – President and Director  
Shelley Hallock – Director  
Andrew Watson – Director  
Tyler Ducharme – CFO and Director