

**SUTTER GOLD MINING INC.**  
**Management's Discussion and Analysis**  
**For the period ended March 31, 2018**  
**(Containing information up to and including May 23, 2018)**

This Management's Discussion and Analysis ("MD&A") is an overview of the activities of Sutter Gold Mining Inc. and its subsidiaries (together, "Sutter" or "the Company") for the period ended March 31, 2018. This MD&A should be read in conjunction with the Company's MD&A for the period ended December 31, 2017 and the unaudited interim condensed consolidated financial statements and accompanied notes for the periods ended March 31, 2018 and 2017. These referenced financial statements, the Company's statutory filings, and additional information is available on SEDAR [www.sedar.com](http://www.sedar.com) and on the Company's website [www.suttergoldmining.com](http://www.suttergoldmining.com).

All currency amounts are expressed in US dollars unless otherwise noted. The effective date of the MD&A is May 23, 2018. This MD&A contains statements that constitute "forward-looking statements" and other cautionary notices (Refer to "Forward Looking Statements").

For the periods ended March 31, 2018 and 2017 the audited consolidated financial statements were prepared in accordance with International Financial Reporting Standards.

Further information regarding the Company's California mineral resources can be found in the updated Form 43-101 Technical Report "Updated Technical Report on the Lincoln Mine Project, Amador County, California", (the "Technical Report") dated July 2, 2015 prepared, by Mine Development Associates ("MDA") and authored by Independent Qualified Persons Neil B. Prenn, P. Eng., Paul G. Tietz, C.P.G. and Steven Ristorcelli, C.P.G. The Updated Technical Report includes an NI 43-101-compliant mineral resource estimate of the Lincoln-Comet ore zones and Keystone portion of Sutter's Lincoln Mine Project. Also included is a Preliminary Economic Assessment (the "PEA") of the Lincoln-Comet resource. The Lincoln-Comet and Keystone resource estimates in the Technical Report, and hence the PEA, are based on an evaluation of both indicated and inferred mineral resources. Inferred mineral resources are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves, and therefore, there is no certainty the PEA will be realized. The Mineral Resource Estimates were defined according to Canadian Institute of Mining ("CIM") Definitions for Mineral Resources, and are compliant with NI 43-101, Standards of Disclosure for Mineral Project

### **Forward Looking Statements**

This report includes forward-looking statements, which involve known and unknown risks, uncertainties and other factors that may cause 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. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "estimate", "may", "plans", "will" and similar terms and phrases, including references to assumptions. Such statements may involve, but are not limited to, comments with respect to these forward-looking statements reflecting our current expectations regarding future events and operating performance as of the date of this report. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not such results will be achieved. A number of vectors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to: sensitivity to general economic conditions; management changes to our business; competition for personnel and skilled subcontractors; increases in interest rates; availability of and reliance upon specific sources of financing; fluctuations in fuel and other relevant commodity prices; reliance on key personnel, etc. etc.

Although the forward-looking statements contained in this report are based upon what the Company believes to be reasonable assumptions, Sutter cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements reflect management's current beliefs and are based on information currently on hand and operations.

Certain statements in this document discuss the Company's anticipated future events. These forward looking statements include, but are not limited to, the following:

- Plans for development of the Company's Lincoln Mine Project in California;
- Management's estimates and expectations of future activities and results;
- The Company's assumptions and estimates used in its technical report filed on July 2, 2015, as well as the potential resource estimates and interpretations from that technical report;
- Expectations regarding the ability to raise capital;
- Reference to future commodity prices; and ,

These forward looking statements are made as of April 30, 2018 and the Company assumes no obligation to update or to revise them to reflect new events or circumstances, except as required by law.

## **Business Overview**

The following discussion is qualified in its entirety by both the section entitled Risks and Uncertainties and by the Forward-looking Statements provision that follow this outlook section.

The Company's primary asset is the Lincoln Mine Project ("Project") and adjacent mineral properties located in the historic Mother Lode District 45 miles southeast of Sacramento, California. The Lincoln Mine Project is situated on a 711-acre block of surface and mineral rights owned in fee or leased from fee owners, in the central part of the 121-mile-long Mother Lode gold belt. The Company's property consists of 3.4 miles of contiguous mineral rights within a 10-mile section of the Mother Lode belt which is credited with historic production of 7.8 million ounces of gold. Historically, the Company's mineral properties in the Mother Lode gold belt had a recorded production of approximately 3.4 million ounces of gold from mines on the property, the majority of which was recovered prior to 1920. Records indicate that these formerly producing mines had documented historic reserves at the time of their closing that have not been recovered.

Sutter's Board of Directors approved the development of the Lincoln Mine Project, based upon MDA's 2011 Technical Report of the Lincoln-Comet portion of Sutter's Lincoln Mine Project. The 2011 Technical Report includes a resource estimate and PEA for the Lincoln-Comet portion area of the greater Lincoln Mine Project (see news releases "Sutter Gold Announces Positive Preliminary Economic Assessment for the Lincoln Mine Gold Project" dated May 4, 2011 and "Sutter Gold Announces Positive Production Decision for the Lincoln Mine Gold Project and Agrees to a \$20 Million Prepaid Gold Project Finance Facility" dated June 22, 2011).

Similar to the 2011 PEA, MDA's 2015 Updated PEA is based on a mine plan of approximately 244,800 tons of potentially minable material grading 0.46 ounce per ton ("opt") equivalent to 15.8 grams/tonne ("g/t") including mining dilution and losses. This is just a portion of the Project's total resource. The Updated PEA considers an underground mining operation with a 5-year mine life, processing an average of 150 tons per day using conventional gravity and flotation recovery producing 22,300 ounces of gold annually for a total resource extraction of approximately 112,000 ounces. The Lincoln-Comet and Keystone resource estimates in the 2015 Updated Technical Report, and hence the PEA, are based on an evaluation of both indicated and inferred mineral resources. Inferred mineral resources are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves, and therefore, there is no certainty the PEA will be realized.

The Project, when in full operation according to the 2015 Updated PEA, would produce approximately 22,100 ounces of gold per year. It is anticipated that mining operations would occur 20 hours each day, 7 days per week, and 350 days per year. Milling operations under the PEA are planned for 24 hours per day, 5 days per week, and 250 days per year. These operational shifts and hours allow flexibility for troubleshooting and maintenance. Also, they create opportunity to increase productivity by merely adding additional operational hours to the milling. The daily mill production call from the mine would be 150 tons (on a seven day per week mine operation), with the mill processing 210 tons per each operating day. The number of stope panels necessary to achieve 150 tons per day would be 8, with contingency allowance suggesting 13 available panels to produce from. With dilution and loss, the expected average

mill head grade would be 0.46 ounces per ton gold. Mill recovery was estimated at 96%. Payment for gold in concentrate and dorè was estimated at 85% and 99.75% respectively, of contained gold value at a spot price of \$1,200 per ounce. Total direct employment, including contractor staffing, was estimated at 108 persons, during full production. Additional information regarding the PEA mine and mill design specifics is presented below, in the section titled "Company History and Mineral Properties".

Preproduction development of surface and underground facilities began in October 2011 and proceeded through 2013. Owing to market volatility and subsequent project schedule modification, the Company implemented various management and personnel changes in the third quarter of 2013 (see news release "Sutter Gold Implements Cost Cutting Measures and Provides Development Update" dated July 3, 2013). Approximately one-third of the staff positions at the Lincoln Mine site were eliminated in July 2013 along with the position of Chief Operating Officer. Richard Winters of RMB Resources and a Director since July 2008 was appointed interim President and CEO. Dr. Leanne Baker, who served as President and CEO and Director since November 2011 continues as a member of the Board.

From late 2013 through March 2014 Sutter processed only 1,100 tons of material in the mill due to problems with the design and installation of the mill equipment and thickener. In the first Quarter of 2014, due to unresolved issues with the mill and thickener, the decision was made to temporarily suspend operations at the Lincoln Project in order to conserve resources (see news release "Sutter Gold Mining Provides Project Update and Announces it Will Temporarily Suspend Operations at the Lincoln Mine Project", dated March 4, 2014). The Project's ultimate success is very sensitive to market conditions and requires additional financing (see section titled "Liquidity and Capital Resources").

The Company believes there is potential for extending the mine life beyond 5 years for the Lincoln-Comet resource envisioned in the PEA. This is based, in part, on mineralization defined within a 2008 Technical Report and evaluated by MDA in their 2015 Updated Technical Report that lies outside the current Lincoln-Comet resource area. The Company believes several mineralized zones in the Lincoln-Comet, Keystone and other areas of the Project remain open down plunge and at depth. Sutter's Board of Directors approved a \$1.2 million exploration program completed in 2012 to further identify mineral resources in the immediate Lincoln and Comet areas (see news release "Sutter Gold Plans Drilling to Expand Resources at its Lincoln Mine Project and Provides Development Update" dated October 13, 2011). Results from the exploration program are encouraging, including the discovery of previously unknown mineralization (see news releases dated January 18, 2012, March 6, 2012, May 1, 2012 and August 16, 2012).

Sutter Gold Mining Inc. is a Vancouver, British Columbia company, with a management office in Lakewood, Colorado and its mine office in Sutter Creek, California. The Company's shares trade on the Toronto Stock Exchange – Venture Board (TSX-V) under the symbol "SGM" and on the U.S. Over-the-Counter market (OTCQX) under the symbol "SGMNF".

## Selected Annual Financial Information

(Expressed in US Dollars)

	For the period ended March 31,		
	2018	2017	2016
<b>Operating expenses</b>			
Wages and benefits	58,900	59,700	59,900
Mine and property holding costs	239,100	290,300	315,100
Professional & contract services	37,000	19,500	21,100
Office & administrative	23,900	26,300	42,800
		-	-
Depreciation and amortization	24,500	26,900	31,700
Rent and electricity	51,700	48,100	29,600
(Gain)/loss on foreign exchange	-	200	2,000
	435,100	471,000	502,200
<b>Loss from operations</b>	(435,100)	(471,000)	(502,200)
Interest income	-	100	100
Interest and finance expense	(943,000)	(770,000)	(661,800)
Other income	2,200	2,200	6,300
	(940,800)	(767,700)	(655,400)
<b>Net loss and total comprehensive loss for the year</b>	(1,375,900)	\$(1,238,700)	\$(1,157,600)

	As at March 31,		
	2018	2017	2016
Total assets	\$ 23,963,300	\$ 24,106,800	\$ 24,221,000
Non-current financial liabilities	\$ 31,600	\$ 14,684,400	\$ 20,445,300
Cash dividends	-	-	-

## Summary of Quarterly Results, Q2 2016-Q1 2018

Expressed In \$	March 2018	December 2017	September 2017	June 2017	March 2017	December 2016	September 2016	June 2016
Operating revenues	-	-	-	-	-	-	-	-
Net income (loss)	(1,375,900)	(1,261,400)	(1,322,300)	(1,322,300)	(1,238,700)	(1,302,500)	(1,098,900)	(1,147,700)
Basic gain (loss) per share	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Diluted gain (loss) per share	-	-	-	-	-	-	-	-

## Results of Operations for the three months ended March 31, 2018 and 2017

Sutter's net loss for the period ended March 31, 2018 increased by 137,200 from the same period in 2017 and was (\$1,375,900) or (\$0.01) per common share compared with a net loss of (\$1,238,700) or (\$0.01) per common share during the same period in 2017. The increased loss was due primarily to higher interest expense of \$943,000 which was due to the increase of the balance on the senior secured term loan facility throughout 2017 and was partially offset by a reduction in operating costs.

Operating costs and expenses for the periods ended March 31, 2018 and 2017 were \$435,100 and \$471,000, respectively. Wages and benefits remained basically the same \$58,900 from \$59,700 for the periods ended March 31, 2018 and 2017, respectively, due to the Company remaining in care and maintenance. Professional and contract services were \$37,000 for the period ended March 31, 2018, compared with \$19,500 for the same period in 2017, due to an increase in contract labor, timing of audit and tax accruals and timing of fees related to prospective buyer's requests. Office and administrative costs decreased \$2,400 from \$26,300 in 2017 to \$23,900 in 2018 due to decreased insurance and communication costs along with decreased travel due to fewer employees. Mine and property holding costs decreased by \$51,200 and were \$239,100 and \$290,300 for the periods ended March 31, 2018 and 2017, respectively, due to the decrease of care and maintenance projects in 2018. Rent and electricity increased and was \$51,600 and \$48,100 for the periods ended March 31, 2018 and 2017, respectively. The increase was due to increased electricity rates.

## Liquidity and Capital Resources

The following table summarizes the Company's operating; investing and financing cash flow activity for the periods ended March 31, 2018, 2017, and 2016:

	For period ended		
	March 31,		
	2018	2017	2016
Cash used in operating activities	\$404,400	\$ 434,900	\$ 444,000
Cash provided by (used in) investing activities	-	\$ -	(\$ 100)
Cash provided by financing activities	429,900	\$ 447,800	\$ 447,300

The Company has generated significant losses since its inception which have resulted in an accumulated deficit of \$68,229,800 and \$62,947,900 as at March 31, 2018 and 2017, respectively. The current financial and economic marketplace has made access to financing through the equity markets extremely difficult and this has created significant uncertainty as to the Company's ability to fund ongoing operations for the next operating period and to participate in and complete ongoing exploration and development projects. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. The Company has entered into a senior secured term loan facility arrangement with a related party to cover short-term operating capital requirements as well as to further develop the Lincoln Project. As at March 31, 2018, the Company has a working capital deficiency of \$57,484,100 compared to a working capital deficit as at March 31, 2017 of \$37,620,700. These financial statements do not reflect adjustments to the carrying values of assets and liabilities which may be required should the Company be unable to raise adequate financing or meet current obligations and therefore be unable to continue as a going concern.

The following table summarizes the Company's working capital surplus (deficiency) and cash and cash equivalent balances as at March 31, 2018 and 2017:

	As at March 31, 2018	As at March 31, 2017
Working capital (deficiency) surplus	\$ (57,484,100)	\$ (37,620,700)
Cash	\$ 120,800	\$ 154,100

The following are the contractual maturities of the Company's financial liabilities as at March 31, 2018:

	March 31, 2018				
	Carrying Amount	Contractual cash flows	1 year or less	2-5 years	More than 5 years
Accounts payable and accrued liabilities	\$ 86,900	\$ 86,900	\$ 86,900	\$ -	\$ -
Accrued interest payable	\$ 11,536,000	\$ 11,536,000	\$ 11,536,000	\$ -	\$ -
Note payable	\$ 46,021,800	\$ 46,021,800	\$ 46,021,800	\$ -	\$ -
Reclamation liability	\$ 31,600	\$ 31,600	\$ -	\$ -	\$ 31,600
Mineral leases	\$ -	\$ 315,400	\$ 24,000	\$ 105,800	\$ 185,600

At March 31, 2018, Sutter had a working capital deficiency of \$57,484,100, compared with a working capital deficit of \$37,620,700 at March 31, 2017. The main cause of the increase in working capital deficit is the Company's increase in current portion of note payable. As at March 31, 2018 and March 31, 2017, the Company had drawn \$46,021,800 and \$44,362,400 on the senior secured term loan facility.

### Capital Management

The Company's objectives with respect to management of capital are a) to ensure the Company continues as a going concern; b) to increase the value of the Company's assets; and c) to achieve optimal returns to shareholders. In the management of capital the Company includes the components of shareholders' equity.

In order to maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt or dispose of assets. In order to facilitate the management of capital requirements, the Company prepares annual expenditure budgets that are updated as necessary, depending on various economic and industry conditions.

The Company currently is not subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management.

### RMBAH Senior Secured Term Loan Facility ("SSTLF")

The current and long-term portion of the note payable as at March 31, 2018 and March 31, 2017 are as follows:

	As at March 31, 2018			As at March 31, 2017		
	Current Portion	Long-term Portion	Total	Current Portion	Long-term Portion	Total
RMBAH SSTLF	\$ 46,021,800	\$ -	\$ 46,021,800	\$ 29,677,900	\$ 14,684,400	\$ 44,362,300

On December 23, 2013 the Company entered into a new agreement for a SSTLF with RMBAH to replace both the existing Prepaid Gold Facility ("PPGF") and Bridge Loan Facility ("BLF") agreement, as amended and restated. The existing forward positions associated with the PPGF were closed out at market according to the close out protocol agreed between the Company and RMBAH with the resulting marked-to-market value of the PPGF obligations forming part of the principal amount to be restructured in the SSTLF.

The total amount under the SSTFL is \$44 million. The SSTFL bears interest at Libor plus 5% per annum accrued monthly and is secured by substantially all of the assets of the Company. Principal payments (based on a specified percentage of the outstanding balance) were scheduled to commence on a quarterly basis effective December 31, 2014 with any remaining balance being payable on March 31, 2018. No payments have been made as at March 31, 2018 or subsequent to year end. Although the Company has been in technical default since December 31, 2014, there is no legal default under the loan facility until such time as RMBAH provides the Company written notice of a default event. RMBAH is in the process of finding a purchaser to acquire its debt and equity interests in the Company. RMBAH has confirmed that it will continue to fund the Company's care, maintenance and operating costs under the loan facility while it pursues a purchaser. The due date of the loan facility has been extended to the earlier of i) March 31, 2020, and ii) the date on which RMBAH declares the loan facility to be immediately due and payable.

As at March 31, 2018 and 2017, interest of \$11,536,000 and \$8,037,500 was accrued, respectively.

### Mine Under Development

As of March 31, 2018, the cost of the Company's mine under development totaled \$24,690,600 offset by accumulated depreciation of \$929,200. For the periods ended March 31, 2018 and 2017, depreciation expense totaled \$24,600 and \$26,900, respectively. During the periods ended March 31, 2018 and 2017, the Company spent \$nil on mine under development.

Below is a summary of the Company's mine under development additions and deletions for the period ended March 31, 2018 and 2017:

	Land Improvements	Buildings	Equipment and Vehicles	Development Costs	Total
<b>Cost</b>					
Balance at January 1, 2017	\$ 7,251,300	\$ 4,915,300	\$ 5,836,800	\$ 6,687,200	\$ 24,690,600
Balance at December 31, 2017	\$ 7,251,300	\$ 4,915,300	\$ 5,836,800	\$ 6,687,200	\$ 24,690,600
Balance at January 1, 2018	\$ 7,251,300	\$ 4,915,300	\$ 5,836,800	\$ 6,687,200	\$ 24,690,600
Balance at March 31, 2018	\$ 7,251,300	\$ 4,915,300	\$ 5,836,800	\$ 6,687,200	\$ 24,690,600

### Reclamation Bond

Future reclamation and mine closure costs are the responsibility of the Company and are based on legal and regulatory requirements. The laws and regulations are continually changing and are generally becoming more restrictive. The Company believes it is in compliance with applicable laws and regulations and expects to make future expenditures to comply with these laws and regulations. The current estimated reclamation liability of \$31,600 is secured by a \$35,000 reclamation bond as at March 31, 2018 and 2017.

### Transactions with Related Parties

The remuneration of key management personnel of the Company for the period ended March 31, 2018 and 2017 was as follows:

	2018	2017
Short-term employee benefits	\$ 76,200	\$ 76,200
	\$ 76,200	\$ 76,200

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and consist of the Company's directors, the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

### **Significant Accounting Judgments and Estimates**

The preparation of these consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based upon historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### *Sources of estimation uncertainty*

The following are significant estimates and assumptions that management has made in determining the amounts recognized in the consolidated financial statements:

- i. The useful lives and residual values of mine under development components are estimates by management based on assumptions about future events. Estimates and assumptions made may change if new information becomes available during their use.
- ii. The ability to recover the carrying value of mine under development components is based on fair value less costs to sell and value in use. Estimates and assumptions made may change if new information becomes available.
- iii. The ultimate amount of the site restoration and reclamation costs and mine closure costs that will have to be incurred is uncertain due to the fact that the laws and regulations are continually changing, uncertainty regarding the extent of the liability, and the magnitude of costs required to discharge this liability. In addition, the timing of the settlement of the obligation is uncertain.

#### *Critical accounting judgments*

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- i. The Company uses judgment in determining whether there are facts and circumstances suggesting that the carrying amount of its mine under development may exceed its recoverable amount.
- ii. The Company uses judgment in determining its ability to continue as a going concern.
- iii. The Company uses judgment in determining its functional currency. IAS 21, The Effects of Changes in Foreign Exchange Rates ("IAS 21") defines the functional currency as the currency of the primary economic environment in which an entity operates. IAS 21 requires the determination of functional currency to be performed on an entity by entity basis, based on various primary and secondary factors. In identifying the functional currency of the Company and of its subsidiary, management considered the currency that mainly influences the cost of undertaking the business activities in each jurisdiction in which the Company operates. The Company has determined that the functional currency is the United States Dollar.



## Off-Balance Sheet Arrangements

The Company had no off balance sheet arrangements as at March 31, 2018 and 2017.

The Company's financial assets and liabilities include cash and cash equivalents, restricted investments, accounts receivable, accounts payable and accrued liabilities, warrants and note payable. The Company is exposed to interest rate risk related to its senior secured term loan facility (see Note 9). The term loan incurs interest based on the 30-day LIBOR rate plus 5.0% during 2015. The Company is not exposed to significant currency, or credit risk arising from its financial instruments. All the Company's funds are held in accounts at major banks in Canada and the United States. As discussed previously, the Company has designated the RMBAH Facility as a financial liability at fair value through profit or loss. The Company recognizes a mark to market gain or loss on this debt based on the difference between the spot price of repayable gold ounces as at the date of the statement of financial position and the aggregate of the agreed upfront payment price per ounce plus the delivery price per ounce. Therefore the Company is exposed to commodity price risk related to the mark to market gains or losses on the note payable. The Company has accepted this risk and has not tried to mitigate the risk.

The Company's financial instruments carrying amounts and fair values as at March 31, 2018 and 2017 are as follows:

	As at March 31, 2018			As at March 31, 2017		
	Current Portion	Long-term Portion	Total	Current Portion	Long-term Portion	Total
RMBAH SSTLF	\$ 46,021,800	\$ -	\$ 46,021,800	\$29,677,900	\$ 14,684,400	\$ 44,362,300

## Outstanding share data

The authorized share capital of the Company consists of an unlimited number of common shares with no par value of which 124,827,007 were issued and outstanding as at March 31, 2018 and 2017. As at March 31, 2018 and 2017 the Company's common share capital was \$27,700,100. As at May 23, 2018 the Company had 124,827,007 shares issued and outstanding. Of the shares outstanding as at March 31, 2018 and 2017, 718,352 were allotted to the Company's former shareholders who may tender their shares in the future (Refer to Note 1 of the audited consolidated financial statements).

The Company has authorized an unlimited number of preference shares with no par value. On March 31, 2018, March 31, 2017 and May 23, 2018 the Company had 254,414 Series 1 Convertible Redeemable Preference shares outstanding having a value of \$211,200. These shares are convertible at any time by the holder into common shares of the Company on a one for one basis and are redeemable at any time by the Company at a price of C\$1 for each share redeemed.

### *Share Purchase Warrants:*

As at March 31, 2018 and 2017 the Company had no share purchase warrants issued and outstanding.

As at May 23, 2018, the Company had no share purchase warrants issued and outstanding.

### *Stock Options:*

During the periods ended March 31, 2018 and 2017, the Company had no expensed/(recovered) of share-based payments related to its Employee Share Option Plan ("Plan").

During the period ended March 31, 2018 and 2017 no stock options were exercised.

As at May 23, 2018, there were no stock options outstanding under the Company's stock option plan for employees, directors, officers and consultants of the Company.

## **Subsequent Events**

There were no events that occurred subsequent to March 31, 2018:

## **Proposed Transactions**

Management periodically enters into informal discussions with prospective business partners in the normal course of business. However management does not believe that any of these discussions constitute proposed transactions for the purpose of this report.

## **Company History and Mineral Properties**

The Company was incorporated in the Province of British Columbia on June 7, 1990. Effective December 29, 2004, the Company completed a reverse take-over ("RTO") by acquiring Sutter Gold Mining Company ("SGMC") of Riverton, Wyoming.

Approximately 98.4% of SGMC's shareholders tendered their shares for 43,871,015 common shares of the Company as at September 30, 2013 and December 31, 2012. The Company has allotted another 718,352 common shares for the other 1.6% of SGMC's shareholders to tender their shares in the future.

On June 12, 2008, RMB Resources Ltd. ("RMB"), a trustee for the Telluride Investment Trust, entered into a private agreement to purchase an aggregate of 39,062,072 (49.9%) common shares of the Company from U.S. Energy Corp. ("USE") for an aggregate purchase price of approximately C\$5,400,000, in accordance with the terms of a share purchase agreement and subject to certain closing conditions. On August 22, 2008, RMB completed the acquisition. As at September 30, 2016 and December 31, 2015, RMB owned 58,216,820 of the 124,352,007 and 123,877,007 outstanding common shares of the Company, respectively

The Company's principal business activity is the development and consolidation of mineral properties in California and, through a joint venture agreement, exploring mineral properties in Mexico.

### *Sutter Gold Mining and Lincoln Mine Project, California*

The Lincoln Mine Project consists of contiguous patented and unpatented, owned and leased mineral properties. Modern exploration of these properties began in the early 1980's with soil geochemical sampling, reverse circulation drilling and diamond core drilling. Significant effort and funding from predecessor entities acquired modern environmental and construction permitting and included initial underground development of a 15-foot wide, 12-foot high decline into the Lincoln and Comet vein zones. Additional permitting, underground development and sampling occurred well into the 1990's.

The Company was created specifically as an entity for the continued advancement of the project. In 2011 the Company had a subsequent technical report, including an NI 43-101 resource estimate and a Preliminary Economic Assessment ("PEA") focused on the Lincoln-Comet area, a portion of the project-wide resource defined by Payne in 2008. The 2011 PEA described an initial phase of mining activity at the Project. The Preliminary Economic Assessment ("PEA"), completed by The independent engineering firm, Mine Development Associates ("MDA") of Reno, NV, USA, prepared the 2011 Technical Report and PEA. The 2011 PEA indicated positive economic potential for the Lincoln-Comet portion of Sutter's Lincoln Mine Project ("Project") resources. The 2011 PEA considered an updated indicated and inferred resource for the Lincoln-Comet ore zones of 210,300 tons grading 0.573 ounces per ton ("opt") or 19.6 grams/ton ("g/t") at a 0.22opt (7.5 g/t) cutoff grade containing 120,000 ounces of gold.

In July 2015 MDA prepared an Updated Technical Report for Sutter's Lincoln Mine Project. The updated report was prepared to, among other things; include work that had been completed on the project in 2011 through 2014, to update the resource to include the Keystone area located adjacent to and northwest of the Lincoln-Comet ore zones and to update the PEA for the Lincoln-Comet ore zones. MDA's Updated Technical Report defined a Lincoln-Comet Resource including 152,000 tons of indicated resource grading at 0.401 opt with a 0.12 opt cutoff containing 61,000 ounces of gold and 506,000 tons of inferred resource grading at 0.254 opt with a 0.12 cutoff containing 128,000

ounces of gold. The Updated Technical Report also includes 399,000 tons of inferred resource grading at 0.243 opt with a cutoff of 0.12 opt cutoff grade containing 97,000 ounces of gold. The 2015 Updated PEA indicated positive economic potential for the Lincoln-Comet portion of Sutter's Lincoln Mine Project

MDA's 2015 Updated Technical Report and PEA supersede all previous technical reports. **Like the previous reports, the 2015 Updated Technical Report and PEA includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves and there is no certainty that the preliminary assessment will be realized.**

Sutter staff and its consultants completed a comprehensive mine design for the Lincoln-Comet deposit utilizing Gemcom Surpac software and the block model resource created by MDA. The narrow-vein nature of the resource dictates the higher cost, but historically proven mining method of cut and fills stoping utilizing jackleg and stoper drills, electric and/or pneumatic slushers supplemented by modern rubber tire load-haul-dump machines and underground haul trucks. Mine levels are designed at 100-foot vertical spacing. Primary access exists through the modern 15-foot wide, 12-foot high Stringbean Alley decline. Secondary access is designed as an 8-foot wide x 8-foot high decline to the 1200 foot level (1200 feet above mean sea level) and an 8-foot wide x 8-foot high decline to the 1300 level. Stope panels are nominally 100 feet long x 100 feet high. All in-vein development is designed at a 3 foot minimum width. Material blasted and slushed in the stopes can be delivered, via muck passes, to levels where the rubber tire equipment can transfer it to chutes accessed by the Stringbean Alley decline. Underground haul trucks deliver the material to a new mill facility located at the surface.

Mining and haulage costs are estimated at \$207 per ton of processed material. Mining dilution was estimated at 20% of zero grade waste with an additional dilution of 9.3% of material grading 0.20 opt. Ore loss was estimated at 10%. Utilizing a base gold price of \$1,200 per ounce and a five-year mine life, the PEA evaluated an initial high-grade scenario for the extraction of the resource at a 0.22 opt cutoff, mining an average of 22,100 ounces per year. A pre-tax cash-flow evaluation indicates an internal rate of return ("IRR") of 63.7% while the net present value at a 5% discount is \$23,411,300.

The 2015 Updated Technical Report including the Updated PEA, the Lincoln-Comet and Keystone resource estimates by Mine Development Associates of Reno, Nevada, USA was filed on SEDAR and is available on the Company's website.

In the first quarter of 2013, the Company tested the crushing and grinding circuits in the mill. Additional mineral processing commenced in Q4 of 2013 into Q1 of 2014 using approximately 1,100 tons of stockpiled low-grade material from development work commencing in Q3 2012 and ending in Q1 2013, earlier bulk sample campaigns and an additional tons generated during underground development work commencing in Q3 of 2013 and ending in Q1 of 2014. Process and metallurgical consultants were engaged to assess various issues that were encountered during processing and several recommendations have been implemented with respect to changes in the process flow sheet, new equipment and improved operating procedures. Mineral processing continued into the first quarter of 2014. However, weakness in the design and installation of the plant thickener and its failure precluded processing of all materials from the mine development work. The inability to dewater whole tailings on a sustained basis necessitated suspension of milling operations, and hence, commissioning of the mill. On March 4, 2014, the Company decided to temporarily suspend operations at the Lincoln Mine Project in order to conserve resources while it evaluates more fully, using third-party consultants to address the remaining mineral processing issues (see news release "Sutter Gold Mining Provides Project Update and Announces it Will Temporarily Suspend Operations at the Lincoln Mine Project", dated March 4, 2014).

### California Properties

On May 3, 2007, the Company settled a Contingent Stock Purchase Warrant liability with U.S. Energy Corp. by the issuance of a Net Profits Interest royalty ("NPIR") of 5% until an amount of \$4.6 million is repaid, and granting a 1% NPIR thereafter. NPIR is defined as the price received from the sale of gold or other mineralized product that is mined, saved and sold, less mining, milling, processing or refining and transportation costs and allowable taxes and

royalties. No amounts have been accrued as a liability as at March 31, 2018 and 2017 as there was no present obligation.

Lincoln and Comet Properties

The Lincoln Mine Project has been the subject of considerable modern exploration activity, most of it centering on the Lincoln and Comet ore zones and associated properties (“the Lincoln and Comet Properties”) which are adjacent along strike. A total of 101,385 feet of drilling has been completed in 230 diamond drill holes, and modern underground development consists of a 2,850-foot declined ramp with 1,575 feet of horizontal crosscuts, 1,275 feet of horizontal ore development and 250 feet of vertical raise development.

The Comet and Lincoln leases were amended in 2003. Both leases have terms of 30 years, broken down into ten year segments carrying a 4% production royalty or minimum annual payments as described below for the Lincoln and Comet properties. An additional 0.5% net smelter return royalty is held by a consultant to a lessee and was in place prior to the acquisition of the properties and covers all the properties in the Lincoln Mine Project. Lease payments are made at the Company’s option, no accrual is made. The payments have been made through years 15 and 24 for the Lincoln and Comet leases respectively.

<u>Years</u>	<u>Annual Payments</u>	
	<u>Comet</u>	<u>Lincoln</u>
1-10	\$ 1,200	\$ 2,400
11-20	\$ 2,400	\$ 4,800
21-30	\$ 3,600	\$ 7,200
31-40 (10 year option)	\$ 4,800	\$ 9,600
41-Thereafter (annual option)	\$ 4,800	\$ 9,600

Eureka Mines

On January 21, 2005, the Company entered into a lease agreement to acquire 132 acres of land immediately adjacent to the Company’s properties in California, called the Eureka Property. The lease term is 30 years, broken down into ten year segments carrying a 4% production royalty or a minimum annual payment. Lease payments are made at the Company’s option and therefore no accrual has been made. All payments have been made through year 14 of the lease.

<u>Years</u>	<u>Annual Payments</u>
1-10	\$ 2,400
11-20	\$ 3,600
21-30	\$ 4,800
31-40 (10 year option)	\$ 6,000
41-Thereafter (annual option)	\$ 6,000

Keystone Property

Effective August 1, 2003, the Company entered into a lease ("Third Amendment to Mining Lease and Option") with Keystone Mining Corporation. The lease covers certain properties at the Lincoln Mine Project and requires payments of \$5,000 per year for the first 10 years of the lease. A royalty of 5% of the net profits on production exists on these properties. The "net profits" will be determined by subtracting from gross mineral revenues an amount equal to 105% of numerous categories of costs and expenses. Lease payments are made at the Company’s option and therefore no accrual has been made. The payments have been made through year 15 of the lease.

<u>Years</u>	<u>Annual Payments</u>
1-10	\$ 5,000
11-20	\$ 7,000

Cecchetti Trust

Effective May 20, 2009, the Company entered into a Mineral Lease Agreement with the Cecchetti Trust. The lease covers 162 acres adjoining and contiguous with existing Sutter Gold Properties and requires annual base lease payments of \$5,000 for the first 10 years of the lease. A Production Royalty of 4% of saleable Product produced on these leases will be paid during mining operations. Lease payments are made at the Company's option and therefore no accrual has been made. The payments have been made through year 9 of the lease.

Ecuador Property - NSR Interest, Portovelo, Ecuador

The Company had a 100% interest in three concessions located in the Portovelo region of southern Ecuador, subject to a 2% net smelter return royalty ("NSR") which was capped at a maximum of \$1.0 million on each of two of the concessions. In March 2006, the title of the property was transferred to Dynasty Metals & Mining Inc. ("Dynasty") for 30,000 of Dynasty's common shares which were received by the Company at a deemed value of \$20,100 and were sold in fiscal 2006. The Company retains a 2% NSR royalty on the properties, 50% of which may be purchased from the Company for C\$500,000.

Mexican Property Baja California, Mexico

The Alamo Group will retain a 3% net smelter royalty if gold is selling for C\$650/ounce or greater and 1.5% if gold is selling for less than C\$650/ounce. The Company has the right to purchase one half of the net smelter royalty for C\$1 after The Alamo Group has received C\$2,000,000 in royalties from commercial operations on the concession.

On March 29, 2007, the Company signed a Joint Venture Agreement with Premier Gold Mines Ltd. ("Premier") to jointly explore the Company's Santa Teresa mineral concession ("The Joint Venture"). Premier earned an initial 50% interest in the project by issuing 100,000 common shares to the Company, completing \$1.5 million in exploration and acquisition and reimbursing the Company for all option payments due to the vendor (C\$280,000). Premier earned an additional 15% interest in the property (to a 65% interest) by conducting exploration activities on the property.

On June 10, 2017 The Alamo Group signed a purchase agreement to acquire 100% of The Joint Venture from the Company and Premier (less royalty provision) for a purchase price of \$400,000. A payment of \$10,000 was due upon execution of the purchase agreement and \$390,000 due within 30 days of The Alamo Group completing financing. The Alamo Group has made an interim payment in the amount of \$40,000 plus any taxes owed on the concession for the 2017 tax year will be required. If the final closing payment is not paid by June 10, 2018 the purchase agreement will terminate.

**Risks and Uncertainties**

Due to risks and uncertainties, including the risks and uncertainties identified below and elsewhere in this MD&A and the related unaudited condensed interim consolidated financial statements, actual events may differ materially from current expectations.

By its very nature, mineral exploration and development involves a high degree of risk, and considerable expenditures are required to substantiate the commercial viability of a mineral property and then to develop it to profitable production. The Company competes with larger and better financed companies for exploration personnel, contractors and equipment. Increased exploration activity has increased demand for capital, equipment and services. There can be no assurance that the Company can obtain the required capital, equipment and services in a timely or cost effective manner.

The success of the Company will depend on numerous factors, including general economic factors; the obtainment of certain approvals; the availability of development and construction capital; the spot price of gold; preparation and execution of an underground development and mining plan which produces the amounts and grades of ore targeted by the plan; construction of a mill which recovers the percentages of gold estimated by the Company; ongoing delineation of sufficient mineral resources in addition to current estimates to sustain mining operations; absence of delays due to unanticipated underground engineering or production problems; and other factors such as environmental, permitting

and other site preparation delays. There is no assurance of favorable determinations of such factors. An unfavorable determination of any one of such factors could significantly delay operations and impair the chances of success for the Company.

All of the Company's short to medium term operating and exploration expenses must be derived from external financing sources. Actual funding requirements may vary from what is planned due to a number of factors including the progress of exploration and development on its current properties. Should changes in equity market conditions, including interest rates, prevent the Company from obtaining additional external financing on economic viable terms, the Company will need to review its mineral property holdings to prioritize project expenditures based on funding availability.

The Company is exposed to price risk with respect to commodity and equity prices. Adverse commodity prices could affect the viability of the mineral property projects or affect the completion of future equity transactions. Adverse movements in the stock market or in individual equity prices could affect equity offerings and the exercise of stock options.

The Company's operations in the United States, Mexico and financing activities in Canada make it subject to foreign currency fluctuations and such fluctuations may materially affect its financial position and results.

Mining operations, development and exploration activities are subject to extensive laws and regulations governing development, production, taxes, labor standards, occupational health, waste disposal, environmental protection and remediation, mine safety and other matters. Changes in these regulations or in their application are beyond the Company's control and could adversely affect its operations, business and results of operations. Failure to comply with the conditions set out in any permit or failure to comply with applicable statutes and regulations may result in orders to cease or curtail operations or install additional equipment.

A majority of the Company's directors and officers serve as directors and officers of other natural resource companies or institutions. Situations may arise where the directors and/or officers of the Company may be in competition with the Company. Any conflicts of interest will be subject to and governed by the law applicable to directors' and officers' conflicts of interest. In the event that such a conflict of interest arises an independent committee of directors will review and approve such resolution before it goes to the Company's full board of directors. In accordance with applicable laws, the directors and officers of the Company are required to act honestly, in good faith and in the best interests on the Company. In determining whether or not the Company will participate in a particular program or transaction and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

On December 22, 2017, President Trump signed into law legislation referred to as the "Tax Cuts and Jobs Act" (the TCJA). Substantially all provisions of the TCJA are effective for the taxable years beginning after December 31, 2017. The TCJA includes changes to the Internal Revenue Code of 1986 (as amended, the Code), including amendments that significantly change the taxation of individuals and business entities. The more significant changes included in the TCJA that impact the Company are reductions in the corporate federal income tax rate from 35% to 21% and several technical provisions including, among others, limiting the utilization of Net Operating Losses (NOLs) arising after December 31, 2017 to 80% of taxable income with an indefinite carry forward. Other changes that could impact us include full expensing for tax purposes of certain property acquired after September 27, 2017 and potential limits on deductibility of business interest expense.

### **Internal Controls over Financial Reporting**

In connection with the National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109") adopted December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained within the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issuer Basic

Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

### **Additional Information**

The Company's web site address is [www.suttergoldmining.com](http://www.suttergoldmining.com). A copy of this MD&A, the unaudited consolidated financial statements for the period ended March 31, 2018, the unaudited consolidated financial statements for the period ended March 31, 2017 and related MD&A and other information and public filings are available on the Company's web site or on the SEDAR website at [www.sedar.com](http://www.sedar.com). The Company is listed on the TSX Venture Exchange with the trading symbol "SGM" and also trades on the OTCQX, the top tier of the US Over-the-Counter ("OTC") market under the symbol SGMNF.

### **Disclaimer**

The information contained within this discussion, by its very nature, is not a thorough summary of all matters and developments concerning Sutter Gold Mining Inc. The information herein is not a substitute for a detailed investigation or an analysis of any issue related to the Company. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR and on the Company's website. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein. Further, certain data included in this document may be historical in nature. Consequently, they not have been verified by the Company's technical staff, and therefore they should not be relied upon.