

**SUTTER GOLD MINING INC.**  
**Management's Discussion and Analysis**  
**For the period ended March 31, 2014**  
**(Containing information up to and including May 29, 2014)**

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, 2014. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and accompanied notes for the period ended March 31, 2014 and Sutter's audited consolidated financial statements for the year ended December 31, 2013. Both of 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 29, 2014. 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, 2014 and 2013 the unaudited condensed interim 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 Form 43-101 Technical Report "Mineral Resource Estimate, Sutter Gold Project, Amador County, California", dated February 5, 2008, by consulting geologist and Independent Qualified Person Mark Payne, P. Geo. Calif. #7076. Resources 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 Projects.

## **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.

Sutter's goal is to excel as a precious metals company specializing in the discovery, definition and development of gold deposits, building mineral resources and advancing projects into valuable assets capable of becoming profitable mining operations. Sutter seeks to achieve this goal by strategically focusing activities and cash expenditures on projects that will enhance shareholder value while maintaining safe work conditions, protecting the environment, and building strong relationships with local communities and other stakeholders.

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 551-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 3.5 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, this property 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 reserves at the time of their closing that have not been recovered. The Lincoln Mine Project's current documented gold resource consists of 223,044 indicated ounces and 458,914 inferred ounces (see news release "Sutter Gold Announces Resource Update for Sutter Gold Project" dated February 13, 2008).

Sutter's Board of Directors approved the development of the Lincoln Mine Project, based upon the conclusions of a Preliminary Economic Assessment ("PEA") (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). The PEA is based on a mine plan for a portion of the Project's total resource of

approximately 244,800 tons of potentially minable material grading 0.46 ounce per ton (“opt”) equivalent to 15.8 grams/ton (“g/t”) including mining dilution and losses. The 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.

Preproduction development of surface and underground facilities began in October 2011 and has proceeded. While several bottlenecks in the plant were identified and corrected during the first quarter through February 2014 Sutter was able to process only about 1,100 tons due to problems with the design and installation of the plant thickener.

Owing to market volatility and subsequent project schedule modification, the Company implemented various management and personnel changes in the third quarter (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. 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 it will require additional financing (see section titled “Liquidity and Capital Resources”)

Longer term the Company plans to produce gold from the Lincoln-Comet deposit by initiating state-of-the-art, environmentally compatible, mining operations on a modest scale similar to the scale of historic mines in the Mother Lode but with a contemporary understanding of the myriad of issues associated with such endeavors. Engineering, design and economic evaluation has been ongoing for the past three years towards this end.

The Company believes that there is significant potential for extending the mine life beyond 5 years within the Lincoln-Comet vein zones targeted in the PEA. Several mineralized zones in both the Lincoln-Comet and Keystone areas remain open down plunge to the southeast and at depth. Sutter's Board of Directors approved a \$1.2 million exploration program 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).

The Project, when in full operation according to the PEA, would produce approximately 22,300 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. Additional opportunities for increasing mine production may be realized through shift scheduling to operate 24 hours per day and/or by adding crews and headings within the mine. 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 \$1,100 per ounce. Total direct employment, including contractor staffing, was estimated at 108 persons, during full production. Additional information regarding PEA mine and mill design specifics is presented below, in the section titled “Company History and Mineral Properties”.

The existing mineral resource greatly exceeds the scope of the initial Lincoln Mine Project operation envisioned by the PEA. With the completion of the initial mine/mill construction in sight, the Company may look towards the incorporation of additional known mineral resource into an operating mine plan. The design of the newly constructed

facilities includes opportunities for expansion and increased capacity. The expansion of operations to include additional known mineral resources would leverage the existing infrastructure and may allow for the incorporation of additional unknown mineral resources in close proximity, should they exist. Further work towards defining the economic impact of any additional development and infrastructure necessary to incorporate those mineral resources into a subsequent phase of mine operations is necessary prior to any additional disclosure.

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 (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)*

	<b>For the years ended</b>		
	<b>December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
Total revenues	\$ -	\$ -	\$ -
Operating costs and expenses	\$ 3,564,900	\$ 6,023,000	\$ 3,515,900
Net income (loss)**	\$ 17,940,300	\$ (18,428,900)	\$ (10,423,300)
Net loss per share – basic and diluted***	\$ 0.15	\$ (0.16)	\$ (0.10)

  

	<b>As at December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
Total assets	\$ 24,954,500	\$ 18,208,900	\$ 6,961,800
Non-current financial liabilities	\$ 34,944,200	\$ 31,208,000	\$ 17,718,400
Cash dividends	\$ -	\$ -	\$ -

\*\* Amounts reflect both net loss before discontinued operations and extraordinary items and net loss as the Company did not have any discontinued operations or extraordinary items during the periods presented.

\*\*\* Amounts reflect both loss per share – basic and diluted before discontinued operations and extraordinary items and net loss per share – basic and diluted as the Company did not have any discontinued operations or extraordinary items during the periods presented.

## Selected Quarterly Financial Information

(Expressed in US Dollars)

	For the periods ended		
	March 31,		
	2014	2013	2012
<b>Operating expenses</b>			
Wages and benefits	324,700	443,200	441,200
Exploration	-	18,500	258,000
Mine and property holding costs	116,700	128,300	173,500
Professional & contract services	84,900	150,300	118,700
Office & administrative	95,100	154,100	154,400
Share-based payments	(1,500)	11,600	56,000
Depreciation and amortization	110,000	23,300	26,300
Rent and electricity	63,000	26,800	26,300
Feasibility study	-	-	13,200
Loss on foreign exchange	100	2,700	300
	793,000	958,800	1,267,900
<b>Loss from operations</b>	(793,000)	(958,800)	(1,267,900)
Interest income	100	700	1,000
Interest expense	(334,900)	(68,700)	-
Loan transaction fees	(800)	(132,700)	-
Other income	1,600	-	-
Mark to market adjustment RMB facility	-	3,612,400	(5,086,600)
	(334,000)	3,411,700	(5,085,600)
<b>Net income ( loss) and total comprehensive income ( loss) for the year</b>	<b>\$(1,127,000)</b>	<b>\$2,452,900</b>	<b>\$(6,353,500)</b>

	As at March 31,		
	2014	2013	2012
Total assets	\$ 25,719,400	\$ 21,016,000	\$ 7,829,400
Non-current financial liabilities	\$ 36,391,700	\$ 27,771,500	\$ 21,129,100
Cash dividends	\$ -	\$ -	\$ -

## Summary of Quarterly Results, Q2 2012-Q1 2014

Expressed In \$	March 2014	December 2013	September 2013	June 2013	March 2013	December 2012	September 2012	June 2012
Operating revenues	-	-	-	-	-	-	-	-
Net income (loss)	<b>(1,127,000)</b>	3,120,500	(8,351,100)	20,718,000	<b>2,452,900</b>	3,936,400	(12,541,400)	(3,470,400)
Basic gain (loss) per share	<b>(0.01)</b>	0.03	(0.07)	0.17	<b>0.02</b>	0.03	(0.10)	(0.03)
Diluted gain (loss) per share	-	0.03	-	0.17	<b>0.02</b>	0.03	-	-

### Results of Operations First Quarter March 31, 2014 and 2013

Sutter's net loss for the period ended March 31, 2014 was \$1,127,000 or \$(0.01) per common share compared with net income of \$2,452,900 or \$0.02 per share during the same period in 2013. The major reason for the decreased income was the refinancing of the Company's Rand Merchant Bank Australia Holdings ("RMBAH") prepaid gold facility ("RMBAH Facility"). The Company had designated the RMBAH Facility as a financial liability at fair value through profit or loss as permitted by IAS 39 *Financial Instruments: Recognition and Measurement*. As a result of the refinancing, the Company no longer recorded a non-cash mark to market gain on this debt versus a gain of \$3,612,400 for the period ended March 31, 2013. The mark-to-market gains and losses are the difference between the spot price of repayable gold ounces as at March 31, 2013 and the aggregate of the agreed upfront payment price plus the delivery price. On December 23, 2013 this loan was repaid with a new term facility which is described in the loan section. Interest expense for the period ended March 31, 2014 totaled \$334,000 compared to \$68,700 for the same period in 2013. This increase of interest expense was due to the increase of the balance on the senior secured term loan facility and ceasing to capitalized interest in 2014.

Operating costs and expenses for the periods ended March 31, 2014 and 2013 were \$793,000 and \$958,800, respectively. Wages and benefits decreased to \$324,700 from \$443,200 for the periods ended March 31, 2014 and 2013, respectively, due to a reduction in employees throughout 2013. The Company incurred \$0 and \$18,500 of exploration costs in 2014 and 2013, respectively, related to the exploration program than began in late fourth quarter 2012, there was no formal drilling program for 2013 or 2014. Professional and contract services were \$84,900 for the period ended March 31, 2014, compared with \$150,300 for the same period in 2013, due to decreased investor relations, environmental, legal and information technology services. Office and administrative costs decreased \$59,000 from \$154,100 in 2013 to \$95,100 in 2014 due to decreased insurance and communication costs along with decreased travel due to fewer employees. Share-based compensation decreased and was \$(1,500) and \$11,600 for the periods ended March 31, 2014 and 2013, respectively, as a result of no new stock options being issued to employees and directors in 2013 or 2014 and forfeitures of existing options. Mine and property holding costs decreased by \$11,600 and was \$116,700 and \$128,300 for the periods ended March 31, 2014 and 2013, respectively, due to decreased permitting activity. Offsetting these decreases was an increase in rent and electricity. Rent and electricity was \$63,000 and \$26,800 for the periods ended March 31, 2014 and 2013, respectively, as a result of increased electrical bills due to the continued mill testing.

## Liquidity and Capital Resources

The following table summarizes the Company's operating; investing and financing cash flow activity for the periods ended March 31, 2014, 2013, and 2012:

	For periods ended		
	March 31,		
	2014	2013	2012
Cash used in operating activities	\$ 657,500	\$2,447,200	\$ 962,900
Cash used in investing activities	\$ 915,800	\$2,312,800	\$1,365,800
Cash provided by financing activities	\$1,523,500	\$4,635,500	\$2,263,000

The Company has generated significant losses since its inception which have resulted in an accumulated deficit of \$47,962,700 and \$62,323,100 as at March 31, 2014 and 2013, 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 to 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 at March 31, 2014, the Company has a working capital deficiency of \$2,713,500 compared to a working capital deficit as at March 31, 2013 of \$20,181,900. 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 deficiency and cash and cash equivalent balances as at March 31, 2014 and 2013:

	As at March 31, 2014	As at March 31, 2013
	Working capital (deficiency) surplus	\$ (2,713,500)
Cash	\$ 336,600	\$ 1,120,700

The following are the contractual maturities of the Company's financial liabilities as at March 31, 2014:

	March 31, 2014				
	Carrying Amount	Contractual cash flows	1 year or less	2-5 years	More than 5 years
Accounts payable and accrued liabilities	\$ 847,300	\$ 847,300	\$ 847,300	\$ -	\$ -
Leases payable	\$ 67,000	\$ 67,000	\$ 67,000	\$ -	\$ -
Notes payable	\$ 38,466,000	\$ 38,466,000	\$ 2,221,100	\$ 36,244,900	\$ -
Other long term liabilities	\$ 123,500	\$ 123,500	\$ -	\$ 123,500	\$ -
Reclamation liability	\$ 23,300	\$ 23,300	\$ -	\$ -	\$ 23,300
Mineral leases	\$ -	\$ 411,400	\$ 24,000	\$ 115,000	\$ 272,400

At March 31, 2014, Sutter had a working capital deficiency of \$2,713,500, compared with a working capital deficiency of \$20,181,900 at March 31, 2013. The main cause of the decrease in working capital is the Company's consolidation of the gold facility and bridge facility into the senior secured term loan facility. This effectively removed the mark to market and the short term bridge and made the repayments spaced over the next five years. As at March 31, 2014 and the Company had drawn \$38,466,000 on the senior secured term loan Facility.

## Loan Facility

The current and long-term portion of the note payable as at March 31, 2014 and March 31, 2013 are as follows:

	As March 31, 2014			As at March 31, 2013		
	Current Portion	Long-term Portion	Total	Current Portion	Long-term Portion	Total
RMBAH "PPGF"	\$ -	\$ -	\$ -	\$ 8,335,100	\$27,748,200	\$36,083,300
RMBAH "BLF"	-	-	-	12,000,000	-	12,000,000
RMBAH "SSTLF"	2,221,100	36,244,900	38,466,000	-	-	-
	<u>\$ 2,221,100</u>	<u>\$ 36,244,900</u>	<u>\$ 38,466,000</u>	<u>\$20,335,100</u>	<u>\$27,748,200</u>	<u>\$48,083,300</u>

## RMBAH Prepaid Gold Facility ("PPGF")

In June 2011, the Company entered into a PPGF with RMBAH to provide a secured prepaid gold loan in the amount of \$20 million. Proceeds were used to repay the existing Loan Facility in the amount of \$6.6 million with the residual of the loan being applied to the ongoing cost of the development and construction of the Lincoln Mine project. The PPGF was subject to a 5% loan origination fee which was paid in 2012 upon the Company's first draw down of the bridge loan.

The Company commenced drawing down the facility in July, 2011 and as at December 31, 2012, the full amount of the PPGF facility of \$20,000,000 had been drawn down.

Originally the Company would deliver to the lender approximately 50% of the project's estimated monthly gold production subject to a minimum of 1,000 ounces per month beginning at the end of the 13th month from the first month of the draw down. In July 2012, the Company negotiated a new pricing and delivery schedule. Under the new schedule, the Company's gold delivery increased from 53,027 ounces to 54,942 ounces, with the first delivery to be in January 2013 and the last delivery to be in October 2017. Under the new schedule the upfront payment price was decreased from \$377 per ounce to \$364 per ounce. The delivery price of \$942 remained unchanged from the original delivery schedule. The Company did not make its required deliveries in 2013.

The Company has recorded mark to market gains on this debt of \$nil as at March 31, 2014 and \$3,612,400 at March 31, 2013 as it had designated the PPGF as a financial liability at fair value through profit or loss. The mark to market gain represented the difference between the spot price of repayable gold ounces as at March 31, 2013 and the aggregate of the agreed upfront payment price plus the delivery price.

The loan was secured by substantially all the assets of the Company.

## RMBAH Bridge Loan Facility ("BLF")

On October 18, 2012, the Company completed an additional secured short-term bridge loan in the maximum amount of \$12 million from RMBAH and was subject to 5% loan origination fee of available funds (\$600,000). This was later amended in May 2013 to increase its available funds to \$20 million, resulting in an additional \$400,000 loan origination fee. During the periods ended March 31, 2014 and 2013, the Company recognized loan amortization expenses of \$nil and \$128,600, respectively, related to these loan fees.

Subsequent to the amendment, the BLF was available for monthly drawdowns dependent on meeting certain operating criteria. The BLF had a repayment date of September 30, 2014. The Company was allowed to prepay the BLF without penalty at any time, subject to 5 days' notice and with a minimum prepayment amount of US\$250,000. As at December 23, 2013 and March 31, 2013, \$19,969,300 and \$12,000,000 had been drawn down on the BLF, respectively.

The interest rate on advances from October 12, 2012 to March 31, 2013 was LIBOR plus 11.5% per annum and, from April 1, 2013 to September 30, 2013, was LIBOR plus 15% per annum. Beginning July 1, 2013 the interest rate was amended to Libor plus 10% per annum. Interest was payable monthly in cash in arrears.

During the periods ended March 31, 2014 and 2013 the Company paid \$0 and \$274,900, respectively, in interest expense related to the BLF of which the Company capitalized \$nil and \$206,200 related to the construction of the Lincoln Mine Project and expensed the remaining \$nil and \$68,700 as finance costs.

The security granted by the Company was consistent with that under the existing PPGF with RMB.

### **RMBAH Senior Secured Term Loan Facility (“SSTLF”)**

On December 23, 2013 the Company entered into a new agreement for a SSTLF with RMBAH to replace both the existing PPGF and 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 refinanced amounts were as follows:

- PPGF \$17.05 million
- BLF \$19.97 million

The total amount available under the SSTLF is \$40 million.

The SSTLF will bear interest at Libor plus 5% per annum accrued monthly for 2014 and payable quarterly beginning December 31, 2014 and continuing until repayment of the SSTF.

Scheduled principal repayments of the SSTLF will commence December 31, 2014 on a quarterly basis through March 31, 2018 based on the following percentages of the outstanding SSTLF balance at that time:

- Quarter ended December 31, 2014 – 6.0%
- Quarters ended March 31, 2015 through December 31, 2016 – 6.5%
- Quarters ended March 31, 2017 through June 30, 2017 - 7.5%
- Quarters ended September 30, 2017 through March 31, 2018 – 9.0%
- Any balance remaining thereafter - payable on March 31, 2018

Mandatory pre-payments of the SSTLF will be made equal to 75% of the available free cash flow after all project and corporate costs, interest and scheduled repayments on a quarterly basis. The SSTF may also be pre-paid by the Company at any time without penalty in part or in whole. Upon commencement of commercial production the Company may enter into gold hedging arrangements with RMBAH at its discretion over a maximum of 60% of forecast production over the term of the SSTF.

Scheduled principal repayments of the SSTLF will commence December 31, 2014 on a quarterly basis through March 31, 2018. Mandatory pre-payments of the SSTLF will be made equal to 75% of the available free cash flow after all project and corporate costs, interest and scheduled repayments on a quarterly basis. The SSTF may also be pre-paid by the Company at any time without penalty in part or in whole. Upon commencement of commercial production the Company may enter into gold hedging arrangements with RMBAH at its discretion over a maximum of 60% of forecast production over the term of the SSTF.

The key benefits of restructuring the PPGF were to crystallize and reduce the obligations of the Company in a transparent manner, with the marked-to-market value at close \$2.95 million less than the nominal \$20 million

borrowed at inception under the PPGF. The close out of the PPGF allows for all future production to be sold at spot rather than at a blend of the \$942/oz delivery price under the PPGF and the spot price. This improves expected cash flow for debt service and allows for the consideration of new hedging at a higher price point that would provide a greater degree of downside gold price protection during debt repayment. In addition, the SSTLF reduces the interest rate on funds borrowed under the BLF from Libor plus 10% to Libor plus 5%.

The Company accrued 495,100 in interest on the SSTF as at March 31, 2014.

The loan is secured by substantially all of the assets of the Company.

The Company raised \$135,500 in equity financing in for the period ended March 31, 2013. However, significant additional funding is required to rectify the working capital deficiency, for ongoing operating expenses, and to complete the development of the mine in order to achieve commercial production.

The Company is attempting to raise these funds through either additional debt financing and/or the sale of equity investments, and/or by attracting a strategic industry partner to provide additional capital to complete the mill construction and the mine development in anticipation of putting the mine into production. There can be no assurance these attempts will be successful.

As at March 31, 2014 and 2013, the deficit was \$47,962,700 and \$62,323,100, respectively. The decrease in this deficit was the result of the closing out of the PPGF in December, 2013 which was partially offset by the net loss of \$1,127,000 for the period ended March 31, 2014.

### Mine Under Development

As of March 31, 2014, the cost of the Company's mine under development totaled \$26,055,300 offset by accumulated depreciation of \$818,200. For the periods ended March 31, 2014 and 2013, depreciation expense totaled \$110,000 and \$23,300, respectively. During the period ended March 31, 2014, the Company purchased \$935,800 of mine under development compared with \$3,095,400 during the same period in 2013. The 2014 increased additions relate to the construction of the Lincoln mine project which commenced in the second quarter of 2012.

Below is a summary of the Company's mine under development additions for the period ended March 31, 2014 and 2013:

	Land Improvements	Buildings	Equipment and Vehicles	Development Costs	Total
<b>Cost</b>					
Balance January 1, 2013	4,707,400	4,752,300	5,121,100	2,961,600	17,542,400
Additions	3,206,100	250,200	1,293,500	3,272,500	8,022,300
Disposals	6,300	(87,200)	(351,700)	-	(445,200)
Balance at December 31, 2013	7,907,200	4,915,300	6,062,900	6,234,100	25,119,500
Balance January 1, 2014	7,907,200	4,915,300	6,062,900	6,234,100	25,119,500
Additions	453,700	5,100	87,700	389,300	935,800
Balance at March 31, 2014	8,360,900	4,920,400	6,150,600	6,623,400	26,055,300

### Reclamation Bond

Future reclamation and mine closure costs will be 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 Company updates reclamation and closure/post closure costs annually, in accordance with applicable regulations and permits. Current estimated reclamation obligations

under the Surface Mining and Reclamation Act, approximate \$23,300. Current reclamation obligations are secured by a \$30,000 Certificate of Deposit.

### Transactions with Related Parties

Related parties include the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. RMB is also a related party due to its large share ownership and its financing to the Company (see Note 9).

During the period ended March 31, 2014, the Company accrued interest of \$495,100 to RMB Australia Holdings in respect to the Loan Facility as outlined in Note 9. The Company paid no interest for the period ended March 31, 2014 and \$274,900 for the same period of 2013 on a bridge loan as outlined in Note 9.

The remuneration of key management personnel of the Company for the period ended March 31, 2014 and 2013 was as follows:

	<b>For the three months ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
Short-term employee benefits	\$ 96,300	\$ 196,300
Share based compensation	-	-
	<u>\$ 96,300</u>	<u>\$ 196,300</u>

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.

On July 31, 2013, the Company reached an agreement its former Chief Executive Officer to settle the severance owed with respect to her termination as Chief Executive Officer of the Company. The Company has agreed that the severance will be payable in four installments: (i) USD\$83,333 payable in cash immediately; (ii) USD\$138,889 to be paid on each of January 15, 2014, January 15, 2015 and January 15, 2016, either in cash or in common shares of the Company. The determination of whether any of the future payments noted above will be made in cash or in shares will be at the sole discretion of the Company. The deemed price of the common shares that may be issued in connection with the above noted installments will be the average closing share price of the Company during the 10 trading days up to and including January 15 of each applicable year, but in any event, no more than 475,000 common shares will be issued (equating a deemed price of approximately \$0.30 per share) in each of the three installments.

In January 2014 a share issuance of 475,000 common shares was made.

On March 31, 2014, the Company reached an agreement with its Chief Financial Officer to settle the severance owed with respect to his termination as Chief Financial Officer of the Company. The Company has agreed that the severance will be payable immediately in two installments: (i) USD\$83,334 payable in cash immediately; (ii) USD\$316,666 was paid in common shares of the Company in April 2014. The deemed price of the common shares that were issued was based on the noon exchange rate for USD to CAD at the Bank of Canada on April 2, 2014. As a consequence, 1,746,641 common shares were issued (equating a deemed price of approximately \$0.20 per share).

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 unaudited condensed interim 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 unaudited condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited condensed interim 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*

Significant assumptions about the future and the other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i. The application of determining the useful lives and residual values of property, plant and equipment are estimates by management based on assumptions about future events. Estimates and assumptions made may change if new information becomes available. New information may become available during the use of these assets that causes the Company to adjust its estimates.
- ii. The ability to recover the carrying values of its mine under development are around the fair value less costs to sell and value in use of these assets. Estimates and assumptions made may change if new information becomes available. New information may become available during the use of these assets that causes the Company to adjust its estimates.
- iii. The Company uses the Black Scholes pricing model to estimate the fair value of stock options granted and warrants issued. Option pricing models require the input of subjective assumptions including the expected price volatility, interest rates and expected life of the option or warrant granted. Changes in the input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide an accurate single measure of the actual fair value of the Company's stock options granted and warrants.
- iv. The determination of the ability of the Company to utilize tax loss carry-forwards to offset future income tax payable requires management to exercise judgment and to make assumptions about the future performance of the Company. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.
- v. The ultimate amount of the site restoration and reclamation costs and the mine closure costs that will have to be incurred is uncertain due to the fact that the laws and regulations are continually changing, the 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*

Significant judgments about the future and the other sources of judgment uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from judgments made, relate to, but are not limited to, the following:

- 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 in order to discharge its current liabilities via raising additional financing.

- iii. The Company uses judgment in determining the classification of its RMBAH facility as a financial liability measured at FVTPL.
- iv. 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 parent and of its subsidiaries and jointly controlled entities, 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 its functional currency is the United States Dollar.

### Off-Balance Sheet Arrangements

The Company had no off balance sheet arrangements As at March 31, 2014 and 2013.

### Financial Instruments

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 2014. 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, 2014 and 2013 are as follows:

	As at March 31, 2014			As at December 31, 2013		
	Current Portion	Long-term Portion	Total	Current Portion	Long-term Portion	Total
RMBAH "SSTLF"	\$ 2,221,100	\$ 36,244,900	\$ 38,466,000	\$ 2,221,100	\$ 34,797,400	\$ 37,018,500
	\$ 2,221,100	\$ 36,244,900	\$ 38,466,000	\$ 2,221,100	\$ 34,797,400	\$ 37,018,500

### Outstanding share data

The authorized share capital of the Company consists of an unlimited number of common shares with no par value of which 122,130,366 and 121,655,366 were issued and outstanding as at March 31, 2014 and December 31, 2013, respectively. As at March 31, 2014 and December 31, 2013, the Company's common share capital was \$27,338,300 and \$27,262,300, respectively. As at May 29, 2014 the Company had 123,877,007 shares issued and outstanding. (Refer to the Related Party section of this MD&A below). Of the shares outstanding as at March 31, 2014 and 2013, 718,352 were allotted to the Company's former shareholders who may tender their shares in the future (Refer to Note 1 of the unaudited consolidated financial statements).

On January 15, 2013, the Company completed a second tranche of the non-brokered private placement of 473,301 common share units at a price of \$0.30 for proceeds of \$135,500.

The Company has authorized an unlimited number of preference shares with no par value. On March 31, 2014, March 31, 2013 and May 29, 2014 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, 2014 and December 31, 2013, the Company had no share purchase warrants issued and outstanding.

As at May 29, 2014, the Company had no share purchase warrants issued and outstanding.

*Stock Options:*

During the periods ended March 31, 2014 and 2013, the Company expensed \$(1,500) and \$11,600, respectively, of share-based payments related to its Employee Share Option Plan.

As at March 31, 2014 and 2013, the Company had 4,159,000 and 5,638,000 stock options outstanding at an exercise price ranging from C\$0.11 to C\$0.20 and C\$0.11 to C\$0.39 and with expiry dates ranging from June 9, 2014 to November 11, 2016 and June 9, 2014 to November 12, 2017 respectively. If all the remaining March 31, 2014 outstanding options were to be exercised, the Company's available cash would increase by C\$682,445.

The following table summarizes the weighted average exercise price and the weighted average remaining contractual life of the options outstanding and exercisable at March 31, 2014:

Outstanding					Exercisable		
Exercise Price C\$	Options Outstanding	Expiry date	Weighted Average Remaining Life (years)	Weighted Average Exercise Price C\$	Options Exercisable	Weighted Average Exercise Price C\$	
\$0.11	800,000	June 9, 2014	0.44	\$0.11	800,000	\$0.11	
\$0.11	500,000	September 7, 2014	0.68	\$0.11	500,000	\$0.11	
\$0.18	24,000	June 1, 2016	2.42	\$0.18	24,000	\$0.18	
\$0.18	1,275,000	July 19, 2016	2.55	\$0.18	1,275,000	\$0.18	
\$0.20	1,500,000	November 1, 2016	2.84	\$0.20	1,500,000	\$0.20	
\$0.20	60,000	November 11, 2016	2.87	\$0.20	60,000	\$0.20	
	4,159,000				4,159,000		

As at May 29, 2014, 4,159,000 stock options were outstanding under the Company's stock option plan for employees, directors, officers and consultants of the Company.

**Subsequent Events**

There were no events subsequent to March 31, 2014.

**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 March 31, 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 March 31, 2014 and December 31, 2013, RMB owned 58,216,820 of the 121,655,366 and 121,182,065 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 Mine and Lincoln Mine Project, California

Lincoln Mine Project consists of contiguous patented owned and leased 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. A project-wide modern gold resource was defined most recently in 2008 by independent geologist Mark Payne. A subsequent technical report (Preliminary Economic Assessment) focused on a portion of the project-wide resource and described an initial phase of mining activity at the Project was completed in 2011. The Preliminary Economic Assessment ("PEA"), completed by the independent engineering firm, Mine Development Associates ("MDA") of Reno, NV, USA, indicates positive economic potential for the Lincoln-Comet portion of Sutter's Lincoln Mine Project ("Project") resources. MDA considered an updated indicated and inferred resource of 210,300 tons grading 0.573 ounces per ton ("opt") or 19.6 grams/tonne ("g/t") at a 0.22opt (7.5 g/t) cutoff grade containing 120,000 ounces of gold.

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 fill 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 \$1,100 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 22,300 ounces per year. A pre-tax cash-flow evaluation indicates an internal rate of return ("IRR") of 20.5% while the net present value at a 5% discount is \$8,027,100.

Utilizing the extensive metallurgical data that exists for the deposit, with emphasis on the test work completed by McClelland Labs in 2009, consultants completed a metallurgical process flowsheet and mill design. The process flowsheet for the Lincoln-Comet vein system material begins with crushing run-of-mine material stored in bins at the new mill facility to minus 1.5 inches. Crushed material would be conveyed to a fine-ore bin which feeds a rod mill operated in a closed circuit. A centrifugal gravity unit would produce a concentrate to be tabled and fused into doré. Conventional flotation utilizing non-toxic reagents would produce a flotation concentrate to be shipped offsite for

final processing. Tailings would be dewatered and returned to the stopes as backfill or dry-stacked at the permitted Surface Fill Unit. Processing costs are estimated at \$42 per ton of material. Recovery is estimated at 96% total, with 70% reporting to gravity concentrate and 26% reporting to flotation concentrate.

The completed National Instrument 43-101 compliant technical report, or Preliminary Economic Assessment by Mine Development Associates of Reno, Nevada, USA was filed on SEDAR and is available on the Company's website.

Approval of the Board of Directors was granted in Q2 of 2011 to implement the recommendations provided by the technical report and to source funding for the development of the Lincoln Mine Project. In Q3 of 2011, the Company closed on the pre-paid gold loan facility and initiated site preparation and the development of the Lincoln Mine Project pursuant to the recommendations of the NI 43-101 technical report. In Q1 of 2013, the Company determined that construction of surface buildings including the Mill, Shop/Staff Services Building and Sand Barn were substantially complete. In Q2 of 2013, the Company received temporary occupancy from Amador County for the Shop/Staff Services Building and moved in. The Company continues to work to close out the remaining building permits and obtain certificates of occupancy for structures.

The Company began portal construction, using Mark A. Suden Mining Construction in Q2 of 2012. The Company commenced Mine Safety and Health Administration (MSHA) jurisdictional operations in July 2012. The Company began underground pre-production development in the third quarter of 2012. The Company completed pre-production development on the 1200 and 1300 levels in Q1 of 2013, continuing work on the 900 and 1100 levels that began in 2012. The Company temporarily suspended underground pre-production development of the Lincoln Project in the first quarter of 2013 owing to market conditions.

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 using approximately 1,500 tons of stockpiled low-grade material from development and earlier bulk sample campaigns and an additional 1,500 tons generated during current phase of underground development work. 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 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).

In July 2013 the Company resumed underground pre-production development work having contracted with Mine Construction Inc. of Amador County for this phase of development. This current phase of underground development is designed to achieve regulatory compliance for production mining operations with the completion of raise work required for the establishment of secondary egress as well as ventilation. Additionally, the contractor continued with level development to allow access to and mining of the initial stope panels as well as to enhance the deposit model through the additional exposure of the ore body. The Company completed this phase of underground pre-production development in the fourth quarter of 2013. Development on the 900, 1000 and 1100 levels exposed key mineralized veins improving the geological models and reducing geological risk as well as providing enhanced information for detailed mine planning and additional development required for access and commencement of production mining from initial mining panels. The Company completed all objectives of the underground development work announced December 23, 2013 in the first quarter of 2014 prior to deciding to suspend operations temporarily (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 Lincoln Project is subject to local, state and federal permitting requirements administered by over 20 governmental agencies. The Project requires five (5) major operating permits and more than 30 lesser or minor

operating permits and approvals. The Company has obtained all five (5) major operating permits. In addition, Sutter has obtained all minor operating permits and approvals for the project components constructed to date.

Having obtained permits for the project elements and operations included in the initial 5-year mine plan, the Company has shifted its focus to permit compliance programs and associated reporting requirements. In the near term this includes activities necessary to comply with five major permits, including Sutter's Conditional Use Permit issued by Amador County and other permits to maintain Sutter's excellent compliance record. Also, Sutter is looking at options to amend permits in order to increase operational flexibility and, in the longer term, to extend mining operations towards the Keystone group of mines immediately northwest of the Lincoln-Comet ore zones.

As Sutter progresses from the current phase of suspended operations at the Lincoln Mine to correction of mineral processing issues, mill commissioning and operations, the Company will continue to work closely with the County and other agencies to close out or terminate certain construction permits and transition to operating permits, where applicable. Along these lines, the Company closed out their construction storm water permit in Q4 2013, transitioning to an industrial storm water permit. Also, Sutter obtained a permit (Authority to Construct) from the Air Quality Management District. This allows for construction and also testing and limited operation of the Lincoln Mine Project including the mill facility. The Company will file, at the appropriate time, an application to obtain a Permit to Operate that will replace the Authority to Construct for the Project. The Company may need to file for a separate permit to operate the backfill plant that will be used to mix cement with tailings for backfilling stopes with tailings.

#### 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, 2013 and December 31, 2012 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 zones 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.

From 2001 to the end of 2003, the Company renegotiated the principal mineral leases on 205 acres. The new lease terms are 30 years, broken down into ten year segments carrying a 4% production royalty or minimum annual payments as follows for the Lincoln and Comet property. An additional 0.5% net smelter return royalty is held by a consultant to a lessee prior to the acquisition of the properties and covers the same 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 18 and 11 for the Lincoln and Comet leases respectively.

<u>Years</u>	<u>Annual Payments</u>	
	<u>Lincoln</u>	<u>Comet</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

In January 2012 Sutter began an exploration drilling program to expand resources at the Lincoln and Comet ore zones of the Lincoln Mine Project. Assay results for the first three drill holes, which were drilled at the southern or Lincoln segment, confirmed the following: 1) Gold mineralization extends upwards close to the surface; 2) The first drill hole,

DDH-196, intersected a true width of 30.5 feet grading 0.121 oz./ton Au including 3.9 feet true width at 0.329 oz./ton Au; 3) The second drill hole, DDH-197, intersected a veined zone of 21.1 feet true width with an average grade of 0.328 oz./ton Au, including 7.1 feet true width grading 0.456 oz./ton Au; and 4) The third drill hole, DDH-198, intersected 3.0 feet grading 2.96 oz./ton Au.

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. As of December 31, 2008, 12,000 common shares were issued to the Eureka Property's owner for the first year's payment and the second through fourth years' payments. Lease payments are made at the Company's option, no accrual is made. All payments have been made through year 10 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, no accrual is made. The payments have been made through year 11 of the lease.

<u>Years</u>	<u>Annual Payments</u>
1-10	\$ 5,000
11-20	\$ 7,000
21-30	\$ 10,000

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, no accrual is made. The payments have been made through year 5 of the lease.

Fancher Trust

On June 14, 2012, the Company entered into a mineral exploration and purchase option agreement with the Fancher Trust. The agreement covers approximately one mile of strike length, several historic mining claims adjoining and contiguous with the existing Sutter Gold properties. Drilling on one of these claims in 2012, the North Gover area, yielded significant gold intersections in all six drill holes. The most significant findings are as follows: 1) SGD-67 returned 3.016 ounces per ton (opt) over 1.2 feet core interval and 0.338 opt over 2.0 feet core interval within a 14.2 feet intersection calculating to 2.5 feet true width at a weighted average grade of 0.41 opt Au; 2) SGD-66 returned 0.523 opt Au over a 2.0 feet interval within a 23.0 feet gold mineralized intersection calculating to 11.5 feet true thickness at a weighted average grade of 0.111 opt Au; 3) SGD-65 intersected 11.2 feet of 0.142 opt Au for a true

thickness of 3.8 feet, 4) SGD-64 returned 0.312 opt Au over 3.0 feet core intersection compositing to 0.9 foot true width at 0.312 opt Au; 5) SGD-63 made a 9.5 feet intersection of 0.200 opt Au calculating to a true thickness of 4.0 feet, and 6) SGD-62 returned 0.341 opt Au over a core interval of 3.6 feet within a down-hole vein interval of 6.1 feet calculating to 3.9 feet true width at a weighted average of 0.224 opt Au.

The agreement also requires annual base option payments of \$140,000 over the 5-year option period. The agreement gives the Company mineral exploration rights during the option period. Option payments will apply to the purchase price provided that the Company exercises their option to purchase the property. The Company opted to not renew the purchase option agreement on a going forward basis in the 2<sup>nd</sup> quarter of 2013.

#### 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

On October 26, 2006, the Company entered into an Exclusive Option Agreement with The Alamo Group to acquire a 100% interest (less royalty provisions) in the Santa Teresa mineral concession located in the historic El Alamo gold mining district southeast of Ensenada, Mexico for a maximum of C\$500,000 in payments and a minimum of C\$100,000 in work commitments. Required cash payments have been reduced to C\$280,000 based on the total amount of work commitments completed.

The Company made an initial payment of \$13,300 (C\$15,000) on signing the Exclusive Option Agreement and issued 111,111 of its shares at a price of C\$0.36 on signing the Definitive Agreement on February 7, 2007.

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 letter of intent with Premier to jointly explore the Company’s Santa Teresa mineral concession. Premier is to earn an initial 50% interest in the project by issuing 100,000 common shares (received) to the Company, completing \$1.5 million in exploration and acquisition within two years and reimbursing the Company for all option payments (C\$500,000, C\$180,000 reimbursed to report date) due to the vendor over four years. Premier can earn an additional 15% interest in the property (to a 65% interest) by paying a further \$500,000 to the Company and conducting an additional \$4.0 million in exploration on the property.

In January 2008, Premier began the initial 32-hole Phase One drill program at the Santa Teresa Concession in Baja California, Mexico and completed all 32 drill holes by late October 2008 for a total of 7,000 meters (22,800 feet) in the historic and high grade El Alamo District. Drilling results have confirmed the following; 1) Drilling has discovered multiple high-grade veins up to 260 meters along strike from the historic Princessa Gold Mine, whose average production grade exceeded one ounce per ton, 2) Results include multiple intercepts in excess of 34 grams per tonne (about 1.0 ounce per ton) gold between one and three meters within the Princessa structure, 3) Twenty-three significant intercepts with length-weighted average in excess of 35 grams per tonne, and 4) Structures remain open in all directions.

For more information on the drill results, please refer to the news releases available on [www.sedar.com](http://www.sedar.com).

During the summer of 2008, surface reconnaissance and prospecting confirmed the presence of intense surface alteration blooms coincident with high-grade vein intercepts at depth, and identified several new conceptual drill targets located throughout the Santa Teresa Concession.

In June 2008, Premier announced that it had completed a transaction with Compania Minera Quasaro S.A. de C.V. to purchase the La Victoria Concession for the joint venture. The La Victoria Concession is land-locked within the Santa Teresa Concession and the veins that have been explored in the Phase I program may extend along strike into La Victoria.

The Company has completed its obligations under the option agreement. The Alamo Group has provided written confirmation that the terms of the lease option have been met. The Company continues to work with Premier towards realizing value from this asset.

### **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 ore reserves 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.

### **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 condensed interim consolidated financial statements and the audited consolidated 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.

## **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. Forward looking statements are usually identified by our use of certain terminology or phrases, including "will", "believes", "may", "expects", "should", "seeks", "anticipates", "intends" and similar terms, or by discussions of strategy or intentions. . Forward-looking statements are statements that are not historical facts, and include, but are not limited to, estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to the effectiveness of the Company's business model; future operations, products and services; the impact of regulatory initiatives on the Company's operations; the size of and opportunities related to the markets for the Company's products; general industry and macroeconomic growth rates; expectations related to possible joint and/or strategic ventures and statements regarding future performance.

Forward-looking statements are based upon the beliefs, opinions and estimates of management at the date the statements are made and current expectations at that date. Consequently, as they are used in this MD&A, they are subject to various risks, uncertainties, and unknown factors most of which are difficult to predict and generally beyond the control of the Company. If risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those expected, estimated or projected. Forward looking statements in this document are not a prediction of future events or circumstances, and those future events or circumstances may not occur. Given these uncertainties, users of the information included herein, including investors and prospective investors are cautioned not to place undue reliance on such forward-looking statements. Further, the Company disclaims any obligation or intention to update or to revise any forward-looking statement, whether as a result of new information, of future events, or otherwise except as may be required under applicable securities legislation.

## **Additional Information**

The Company's web site address is [www.suttergoldmining.com](http://www.suttergoldmining.com). A copy of this MD&A, the unaudited condensed interim consolidated financial statements for the period ended March 31, 2014, the audited consolidated financial statements for the period ended December 31, 2014 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.